Weekend FT

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FINANCIAL TIMES

Europe's Business Newspaper | WEEKEND OCTOBER 24/OCTOBER 25 1992 | D8523A

China threatens to overturn Hong Kong plans

China said it would reverse democratic reforms proposed for Hong Kong by its governor, Chris Patten, if he introduced them without Beijing's consent. In a statement which emphasised the rift between Britain and China, Lu Ping, China's top official on Hong Kong affairs, warned of turmoil in the colony during the transition from British to Chinese sovereignty in 1997. Page 22

Securities houses report losses: Japan's leading securities houses, including Nomura Securities, the largest broker, reported losses for the first half. Daiwa Securities reported a small profit, putting it ahead of Nomura for the first time. Brokers blamed the continuing weakness of prices and turnover on the Tokyo stock market. Page 10

Insider dealing moves to go ahead: The UK government intends to proceed with legislation on insider dealing despite strong opposition in London's financial centre, although it announced some concessions. Page 22; Lex, Page 22

Making a note of Edinburgh's EC summit

A £1 note to mark December's EC summit in Edinburgh, the first commemorative banknote issued in the UK, was unveiled by George Mathewson (above), chief executive of the Royal Bank of Scotland. It goes into circulation on December 8.

Mirror Group stopped: Journalists and other staff at London's Mirror Group Newspapers stopped work after the company confirmed that former Today editor David Montgomery had been appointed chief executive. Page 8

Transfusion chief stands down: Jean-Pierre Allain, formerly of the French national blood transfusion centre, was convicted in Paris of knowingly allowing Aids-contaminated blood to be used in transfusions. He is to appeal. He stepped down from his present job of policy head of the transfusion centre at Addenbrooke's Hospital in Cambridge pending an inquiry. Page 2

Halifax calls for action: Britain's largest building society, the Halifax, wants the government to stimulate the housing market by cutting interest rates and increasing tax relief for first-time buyers. Page 5

Kohl seeks tax freeze: German chancellor Helmut Kohl hopes to freeze taxation for two years, but expects taxes to rise in 1995 to help pay for the accumulated costs of unification. Page 2

Ulster numbers nearly equal: The population of Ulster is 38.4 per cent Roman Catholic and 42.8 per cent Protestant - a difference of only 4.4 per cent - according to census figures. Protestants had been thought to have been in a majority of two to one. Page 4

Hanson attacks RHM demerger: Hanson condemned Ranks Hovis McDougall's demerger plan as "ill-conceived" and attacked the milling, baking and grocery company's record in its offer document. RHM again urged its shareholders to reject the offer. Page 8

Hospitals begin survival fight: Several famous London hospitals began fighting for survival as the government published plans for radical changes in the capital's healthcare. Page 22; Details, Page 4

Oil groups static: Exxon and Mobil, biggest US oil and natural gas groups, reported third-quarter net profits only slightly improved year-on-year. Mobil also announced it was to reorganise its European sales, marketing and administrative activities. Page 10

Asean accord: *The Association of South-East Asian Nations agreed a programme to turn the six-nation regional group into a free trade area by 2008.* Page 3

STOCK MARKET INDICES

FT-SE 100	2,669.7	(+11.6)
Yield	4.5	
FT-SE Eurotrack 100	1,834.28	(+12.85)
FT-A All-Share	1,259.33	(+0.5%)
Nikkei	17,117.85	(+104.61)
New York: lunchtime		
Dow Jones Ind Ave	3,280.54	(−0.54)
S&P Composite	414.21	(−0.69)

US LUNCHTIME RATES

Federal Funds:	$2\frac{7}{8}$%
3-mo Treas Bills: Yld	2.972%
Long Bond	$9\frac{7}{32}$
Yield	7.659%

LONDON MONEY

3-mo Interbank	8%	($7\frac{3}{4}$%)
Liffe long gilt future:	Dec $100\frac{1}{8}$	(Dec $99\frac{3}{8}$)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$20.15	(20.2)

Gold

New York Comex (Oct)	$343.6	(343.1)
London	$343.25	(343.2)

STERLING

New York lunchtime:		
$	1.6165	
London:		
$	1.613	(1.625)
DM	2.47	(2.45)
FFr	8.3675	(8.3075)
SFr	2.2	(2.19)
Y	196.75	(195.75)
£ Index	80.5	(80.4)

DOLLAR

New York lunchtime:		
DM	1.5315	
FFr	5.194	
SFr	1.3655	
Y	122.65	
London:		
DM	1.5305	(1.5105)
FFr	5.1875	(5.1225)
SFr	1.3645	(1.35)
Y	121.95	(120.7)
$ Index	63.2	(62.7)
Tokyo close Y 121.2		

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Major spurns attack on authority by Euro-rebels

By Philip Stephens, Political Editor

MR John Major yesterday foreshadowed a bitter confrontation next month with Tory critics of the Maastricht treaty by dismissing a public challenge to his authority from the party's Euro-sceptics.

Downing Street officials said Mr Major, who last night flew to Egypt to attend a weekend service marking the 50th anniversary of the battle of El Alamein, was determined to re-start the ratification process next month.

But as Labour indicated that it might join Tory critics in opposing the early return to Westminster of the Maastricht bill, Mr Major left open the option of a tactical retreat on the precise timetable for ratification.

The officials said that the prime minister wanted to make "progress" with the legislation before the Edinburgh summit in December. But he accepted that the line-by-line consideration of the legislation in its committee stage could be broken up into several stages, perhaps spanning Christmas. That would ensure that disgruntled Conservative MPs would not have to stay at Westminster "night-and-day" to get the legislation through.

Senior ministers privately ridiculed as "hysteria" a call by Lord Tebbit, the former cabinet minister, for MPs to reject ratification even if that forced Mr Major's resignation as party leader.

Mr Michael Heseltine, the trade and industry secretary, told rebel Tory MPs that the government would not jeopardise the "national interest" over problems on its own backbenches. If Mr Major was obliged to tell other EC leaders that he could not deliver on the treaty it would mark the end of British influence in Europe.

After a week which has seen the government's authority further undermined by its enforced climbdown over coal closures, cabinet ministers sought to reassure Tory MPs that Maastricht would not deflect the government from its determination to secure economic recovery.

Mr Michael Howard, the environment secretary, said that early recovery was the "overriding objective". He argued that the recent fall in the value of the pound would not lead to a renewed burst of inflation, and echoed Mr Major's clear hint earlier in the week that a tight public spending round would pave the way for a further cut in interest rates.

The fresh row over Maastricht followed an "ambush" on Thursday evening by Euro-sceptics on the executive of the Tory backbench 1922 committee. The executive, which is dominated by MPs on the right of the party, called for a delay in the legislation until economic recovery was under way. But in spite of a public reinforcement of that message yesterday by Sir Rhodes Boyson, a leading member of the 1922, there were signs that the executive was backing away from direct confrontation.

Mr George Robertson, Labour's European spokesman, sought to add to the pressure on Mr Major by suggesting that the Labour party could join forces with Tory rebels to delay the ratification process until next year.

Backbenchers in the news, Page 6

Rival carriers say deal is anti-competitive ■ Up to 1,600 jobs to go

BA agrees to rescue Dan-Air

By Paul Betts and Daniel Green

BRITISH AIRWAYS yesterday agreed to rescue Dan-Air, the UK's oldest independent airline, in a deal attacked as anti-competitive by rival carriers.

BA agreed to take over Dan-Air, which was due to celebrate its 40th anniversary next year, for a nominal £1. It will also assume the troubled airline's liabilities, which BA estimates at £35m.

The rescue would mark the biggest consolidation in the UK airline industry since BA bought British Caledonian nearly five years ago. It will involve the loss of up to 1,600 full-time jobs and the closure of Dan-Air's charter operations.

The deal was described by BA and Mr David James, chairman of Dan-Air's parent, Davies & Newman Holdings, as the only alternative to receivership.

Other independent UK carriers demanded a thorough investigation by the Monopolies and Mergers Commission. They said the takeover would entrench BA's domination of the UK market and undermine the British government's efforts to promote a multi-airline competition policy.

Sir Michael Bishop, chairman of British Midland, described BA as "no white knight" and said the takeover would be "damaging to competition and choice". He said he had contacted the regulatory authorities in the UK and in Brussels.

Sir Colin Marshall, BA's chief executive and deputy chairman, said his airline would not complete the deal if it was forced to give up routes and landing slots. Without rapid regulatory approval, BA said it would abandon the deal.

Tony Andrews

BA chairman Lord King (left) and David James agree on a deal to rescue Dan-Air and assume the troubled airline's liabilities, estimated at £35m

Mr Richard Branson, chairman of Virgin Atlantic, said he would retaliate by launching a short-haul carrier called Virgin European Airways to compete with BA.

BA said the Dan-Air acquisition would be part of a cost-saving restructuring of its own operations at London's Gatwick airport.

A new airline will be established under the BA livery employing between 400 and 600 of Dan-Air's nearly 2,000 permanent staff. These employees will be offered lower salaries than they had at Dan-Air. Some 400 Dan-Air temporary staff are also likely to lose their jobs.

BA's new Gatwick-based short-haul airline subsidiary will operate Dan-Air's scheduled routes with a fleet of 12 Boeing 737s and BA's existing Gatwick services with 10 Boeing 737s. Dan-Air will reduce its scheduled network from 28 to 12 routes and dispose of 26 of its fleet of 38 aircraft.

Dan-Air made an operating loss of £24m in the first half of 1991 and is expected to continue losing money during the winter season. BA believes it can turn around the operation by next year.

Davies & Newman, whose shares will remain suspended, will be wound up once the transaction is completed. Shareholders will receive nothing, but Mr James said creditors would be fully reimbursed.

Dan-Air was a successful independent carrier until 1989 when it started losing money.

Mr James was called in two years ago to restructure the business for a fee of £30,000 a month. He failed despite an emergency rights issue which raised almost £50m last year. Since January, his pay has dropped to £7,500 a month.

His critics say his decision to expand Dan-Air's scheduled

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EC and US officials try to avert trade war

By David Gardner in Brussels and David Dodwell and Alison Smith in London

TOP European Community and US farm negotiators held a series of urgent phone talks yesterday in an effort to avert an internationally damaging trade war.

In Brussels a statement from EC officials last night said both sides were anxious to maintain contact "to achieve a rapid and successful conclusion" of trade reform talks.

Meanwhile Mr John Major and Chancellor Helmut Kohl launched a four-point initiative to rescue the negotiations which broke down in Brussels on Wednesday. A crisis was triggered when EC officials refused to agree to US demands for reform of the EC's oilseeds subsidy regime. US farmers argue that the regime has cost them \$1bn (£600m) in lost oilseeds exports.

In a 30-minute phone call yesterday morning the British and German leaders agreed that the EC would have to shift its position to ensure the continuation of the talks in the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt).

They agreed that:

● Mr Ray MacSharry, European farm commissioner, should be told to return to the negotiations;

● The European Commission must be told that the talks could not be allowed to founder;

Continued on Page 22

Soaring short-term interest rate puts pressure on banks

By James Blitz, Economics Staff

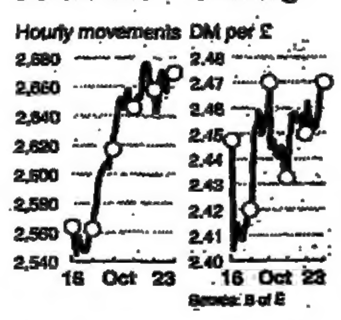
A LARGE rise in the cost of borrowing short-term funds yesterday put many of the UK's leading banks under acute financial pressure and raised questions about the Bank of England's handling of its money market operations.

A huge shortage of cash in the money market forced interest rates on the cost of borrowing sterling overnight up to 100 per cent. Normally, short-dated rates hover close to the banks' base rates, currently at 8 per cent.

Yesterday's developments came at the end of a week when the government appeared to have abandoned its previous economic strategy in favour of a gradual move to lower interest rates in an attempt to boost recovery.

In this atmosphere, many people in financial markets have been expecting a further cut in interest rates virtually any day.

That made it more difficult for the Bank to alleviate the shortage yesterday via a technical manoeuvre, because such a move might have given the impression that the government was about to ease borrowing conditions earlier than intended.



The rise in the overnight cost of borrowing forced banks which were short of liquidity to pay a large premium if they tried to obtain money from other financial institutions. "There are people in the market making massive losses," said one discount house dealer yesterday.

A clearing bank dealer added that the situation could get worse next week and expressed concern that the Bank was not handling the situation properly. "The authorities should have offered short-dated funds and sent out a message that no alteration in base rates was intended," he said.

Behind yesterday's events was the huge amount of money drained out of the UK banking system last month when the Bank bought an estimated £15bn in its unsuccessful effort to prop up sterling. The operation left the market short of cash, and it may take several months to restore the balance.

The shortage has become particularly acute in recent days because clearing banks and discount houses are reluctant to borrow money from the Bank at current rates, believing another UK base rate cut is imminent.

Commercial bank officials said the rise in money market rates was unlikely to trigger another rise in UK base rates. Instead, the banks will carry the losses as long as the cost of short-term borrowing stays at current levels.

● The FT-SE Index of 100 leading shares rose 11.6 yesterday to close at 2,669.7

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Austria Sch30; Bahrain Din1.250; Bermuda $1.50; Belgium BFr80; Bulgaria Lv25.00; China Fec 12.0; Canada C$1.40; Cyprus C£1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt £E4.50; Finland Fmk12; France FFr8.50; Germany DM3.30; Greece Dr250; Hong Kong HK$16; Hungary Ft162; Iceland ISK180; India Rs38; Indonesia Rp4,600; Israel NS5.50; Italy L2500; Japan Y530; Jordan JD1.50; Korea Won 2500; Kuwait Fils 600; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.50; Morocco Dh13.00; Algeria Neira20.00; Netherlands Fl3.50; Norway Nkr15.00; Oman OR1.50; Pakistan Rs29; Philippines Peso 45; Poland Zl 22,000; Portugal Esc180; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Spain Pta200; Sri Lanka Rup30; Sweden SKr14.00; Switzerland SFr3.00; Syria SyP50.00; Taiwan NT$65; Thailand Bht60; Tunisia Din1.250; Turkey L6000; UAE Dh10.00; USA $1.25 (Alaska & Hawaii $1.75)

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Bank of Italy drops discount rate to 14%

By Robert Graham in Rome

THE Bank of Italy yesterday announced it was lowering the discount rate one percentage point to 14 per cent from Monday.

This is the first signal that the Italian monetary authorities believe the recent turbulence in the international foreign exchange markets has calmed and that the lira has achieved a relatively stable floating rate.

The move came a day after the Italian parliament approved a special law delegating the Amato government to carry out structural reforms in pensions, the health service, local government and the civil service. These four areas have been one of the main causes of the country's huge public sector deficit, equivalent to more than 10.5 per cent of gross domestic product. The reforms will provide one third of the savings in the 1993 budget.

A Bank of Italy statement said the drop in the discount rate was also prompted by the calmer state of the international markets and by the continued decline in Italian inflation. Preliminary figures for this month suggest the annual average for inflation will be 5 per cent.

Although this continued fall has yet to reflect the effects of the lira's devaluation and float since it left the Exchange Rate Mechanism along with sterling on September 17, the authorities appear confident the impact can be limited in Italy's depressed economy.

The central bank has been under pressure for several days to follow the general easing of rates in Europe, and in the past two weeks has been gradually lowering its short term and overnight rates. However, this time it has been especially cautious. Officials were well aware of the experience of August.

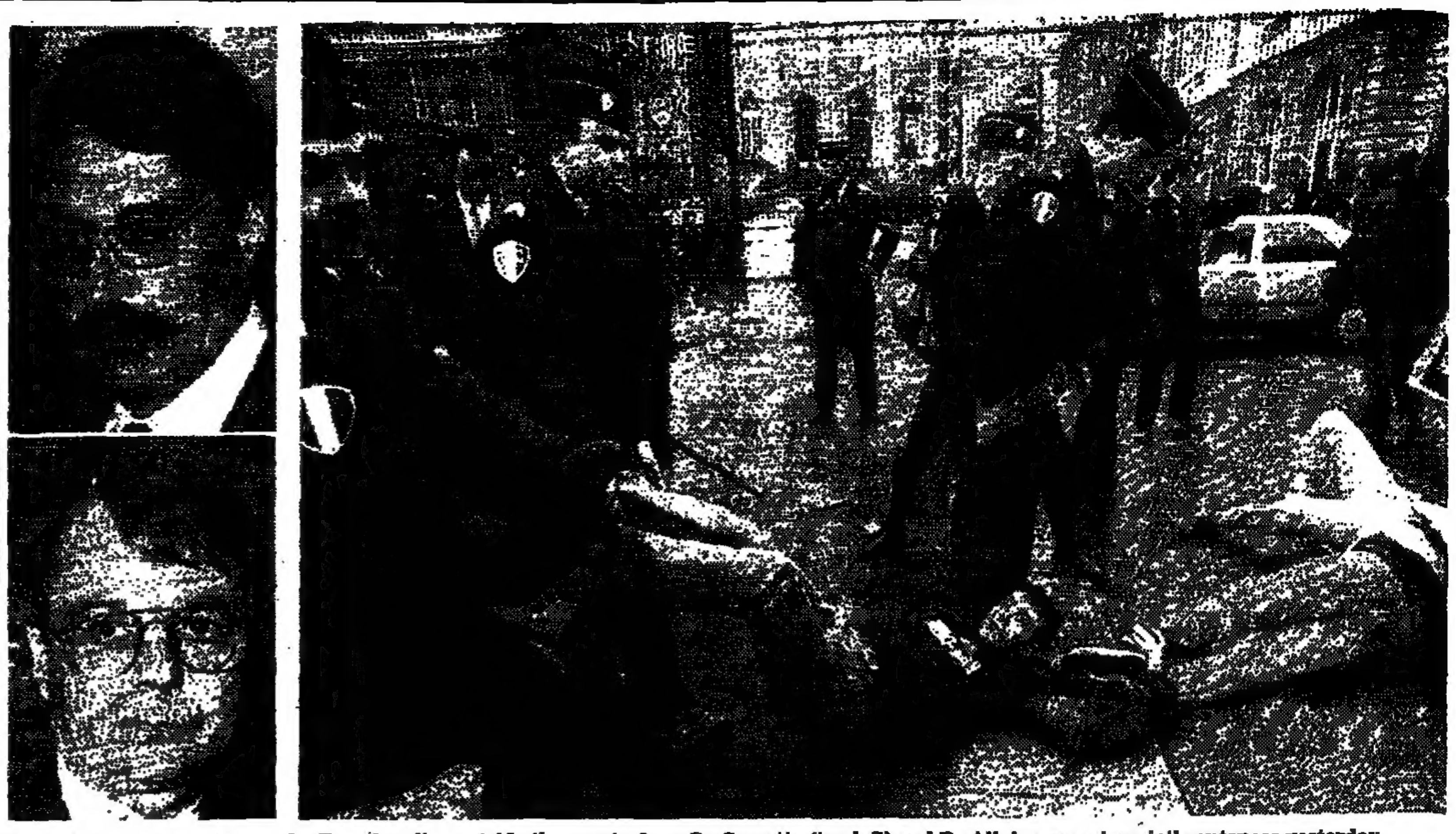
On August 8 the discount rate was dropped from 13.75 per cent to 13.25 per cent in response to parliament approving the 1992 emergency budget. But by the end of the month the Bank of Italy was forced to begin defending the lira again, leading to the last rise on September 4. Each one percentage point drop in interest rates is estimated to lower the cost of servicing Italy's debt by some L15,000bn a year.

Over the past week, the lira has stabilised against the D-Mark around the L870 to L880 level. This compares with floating rates of nearly L1,000 at the height of market turbulence. The current parity is close to where Bank officials believe the lira could hold. This is a 16 per cent devaluation against the German currency.

Officials yesterday declined to specify when the lira was likely to seek re-entry to the ERM. But Italy is expected to wait until more items in the budget are approved and completion of negotiations for an Ecu8bn standby facility from the EC. This means re-entry is unlikely before December.

● Mr Florio Fiorini, the Geneva-based Italian financier, has been arrested by Swiss police on charges of alleged fraud in connection with the collapse of his stock market quoted Sasea holding company, writes Haig Simonian from Milan.

Mr Fiorini is best known as the one-time partner of Mr Giancarlo Parretti, the Italian businessman with whom he took over the MGM film studios in the US. The two financiers parted company last year, and Mr Parretti has since been involved in a legal battle with his bankers. The administrators of Sasea have until the end of February to put forward plans to restructure the group. In spite of numerous disposals, Sasea is still weighed down by heavy borrowings.



Protesters are dragged away by French police outside the court where Dr Garretta (top left) and Dr Allain were given jail sentences yesterday

French officials jailed for aids deaths

By William Dawkins in Paris

THREE former senior French health officials received prison sentences yesterday after being found guilty of allowing blood carrying the HIV virus to be injected into 1,200 haemophiliacs in the most serious medical scandal to hit France in recent years.

A Paris court sent Dr Michel Garretta, former head of the national blood transfusion centre, to prison for four years for fraud and criminal negligence and fined him FFr500,000 (£60,241), the heaviest sentence available.

More than 250 haemophiliacs have died as a result of receiving infected blood seven years ago from the state transfusion service, at the time a monopoly. The trial, which opened in the summer, has been an emotionally charged factor in the declining popularity of the ruling Socialist party.

Dr Garetta's colleague, Dr Jean-Pierre Allain, former head of transufusion research at the centre, was given a four-year sentence with two years suspended, on the same charges.

He said yesterday he had been made a scapegoat and would appeal. Dr Allain was suspended yesterday from a British post as a director of the East Anglian blood transfusion service.

The third official, Mr Jacques Roux, former public health director, received a four-year suspended sentence for criminal negligence, while a fourth, Dr Robert Netter, former director of the health ministry laboratory, was acquitted of the same charge.

In addition, the court ordered Mr Garretta and Mr Allain and the national blood transfusion foundation to pay FFr9.2m to the victims, who will also receive compensation from the government. This will run into "billions of francs" Mr Michel Sapin, the finance minister, said yesterday.

Aids sufferers' groups yesterday condemned the sentences as inadequate and renewed calls for for the trial of the politicians responsible for health at the time.

Members of Act Up, the leading anti-Aids action group, demonstrated outside the court calling for a "Nuremberg of Aids."

However, government ministers can only be tried for crimes relating to their jobs if impeached by parliament. The right-wing opposition tried without success earlier this month to impeach Mr Laurent Fabius, prime minister at the time, plus Mrs Georgina Dufoux and Mr Edmond Hervé, former ministers of social security and health.

NEWS IN BRIEF

Owen to 'reverse' Bosnia carve-up

There will be no internationally-sanctioned ethnic carve-up of Bosnia-Hercegovina in any future constitutional settlement, the two international mediators for former Yugoslavia said yesterday , Frances Williams writes from Geneva.

Lord Owen, the EC mediator, and Mr Cyrus Vance, for the UN, said in Geneva that territory seized by force would not be recognised. "We do not accept this status quo as permanent and we intend to see that it is changed", Lord Owen said.

Earlier, the UN human rights investigator for ex-Yugoslavia, Mr Tadeusz Mazowiecki, said on his return from an 11-day visit to the region that the objectives of the "ethnic cleansing" policy in Bosnia had already been achieved. But Lord Owen said the constitution for Bosnia-Hercegovina now being drafted would provide for the effects of "ethnic cleansing" to be reversed.

Turkey roots out Kurds

Turkish troops launched a largescale land and air operation yesterday against the separatist Kurdish Workers Party (PKK) rebels in north Iraq, writes John Murray Brown from Ankara.

The military operation involves grounds troops up to 5km inside north Iraq and both helicopter and fighter air support. After winning assurances from Syria and Iran not to offer sanctuary to the PKK, Turkey is taking the opportunity before the snows arrive to force about 8,000 PKK rebels from their mountain bases. Turkish newspapers reported more than 5,000 Turkish commandos were now involved in rooting out the camps.

French trade in surplus

France's trade balance swung sharply back into surplus last month, helped by a rise in exports of Airbus jets, a traditionally erratic factor in French trade flows, William Dawkins reports from Paris.

The French trade surplus reached FFr3.7bn (£440m) in September, after a surprise FFr3.04bn deficit in August, according to seasonally corrected figures from the customs directorate.

● France has now recovered three-quarters of the FFr160bn it committed to defend the parity of the franc during last month's currency crisis, according to the French finance minister, Mr Michel Sapin, Barry Riley reports from Paris

Dam row goes to summit

Czechoslovakia and Hungary will make a last-ditch effort to resolve their controversy over the Gabcikovo dam on the river Danube at next week's European Community-Central Europe summit meeting in London, Anthony Robinson writes.

The Slovak side has started to divert water prior to an agreement, but claims this is necessary to prevent high river levels flooding the dam and ancillary works on which over $1bn has been spent. The International Court of Justice yesterday said that that Hungary had asked it to help resolve the row.

Uzbekistan joint venture

Daewoo, the South Korean conglomerate, will set up a consumer electronics factory in Uzbekistan by 1994 in a $30m joint venture with the Tashkent government, John Burton writes from Seoul. Daewoo also plans to build an auto assembly plant in the Central Asian republic - which is home to thousands of ethnic Koreans – by 1995.

New S Korean party

A group of mainly conservative dissident politicians from South Korea's ruling party yesterday formed the New Korea Party to challenge the three main candidates in December's presidential election, John Burton writes. However, the party is expected to have little chance of success.

Kohl backs tax to pay costs of unification

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl has thrown his weight behind moves for a tax increase in Germany in 1995 to help pay for the accumulated costs of unification - but with a freeze on taxation for the next two years.

The plan, proposed in a motion to next week's annual conference of Mr Kohl's ruling Christian Democratic Union (CDU), is an attempt to reconcile the demands from the east for an urgent injection of funds, and strenuous resistance from the German business sector to any suggestion of an early tax rise.

By postponing any tax rise until 1995, Mr Kohl is making further drastic cuts in state spending in the west inevitable in the next two years.

It also means that he can keep his promise that there will be no tax increases in the life of his current government – which runs until elections in 1994.

At the same time, it is clear that by 1995, accumulated debts for unification from the Treuhand privatisation agency, and the German Unity Fund, will all fall on the central exchequer, with devastating effects for the budget deficit.

In spite of its political attractions, the call for a 1995 tax rise was immediately criticised by German industry. Mr Tyll Necker, the president of the BDI, the German federation of industry, said the government was putting the cart before the horse: the immediate requirement was for savings to be made.

● The German government yesterday announced a deal on who will pay for the huge backlog of environmental damage caused by east German industries, thus removing an important stumbling block to new private investment.

The agreement means that the Treuhand privatisation agency will be responsible for 60 per cent of the cost of cleaning up the damage, and the six federal states in the east will pay for the remainder.

Paris defiant in eye of Gatt storm

David Buchan on why the country's farmers are holding up a deal

IN the eye of the storm over the latest breakdown in the Gatt negotiations, France yesterday seemed calmly defiant.

Under fire from Washington, and cross-fire from some of its EC partners, the French government stressed its desire for an eventual Gatt accord, but nct one which "unfairly sacrificed" the interests of its farmers to those of their US competitors.

Both the government and the main farmers' union, FNSEA, claimed the US interruption of talks was electoral machismo, aimed at trying to keep President Bush in the White House.

Mr Michel Sapin, the finance minister, yesterday echoed the view which Mr Roland Dumas, the foreign minister, expressed earlier this week that serious bargaining could only resume after the November 3 presidential poll in the US.

A senior French official said the cause of the breakdown in Brussels this week had been oilseeds, an issue over which Germany, as the EC's largest producer of rapeseed, had more at stake than France. "This is not really a question of German solidarity with France, beause the Germans have their own problems in this sector", he said.

"We have shown that we are ready to take difficult decisions in circumstances where an agreement is balanced", the official said in reference to France's acquiescence in the reform of the common agricultural policy. "But in the case of Gatt, we are not there yet." It seems most unlikely the ruling socialists, far behind the main opposition parties in the opinion polls, will want to take any more "difficult decisions" in the run-up to next March's elections.

It may seem odd that a socialist government should appear so beholden to the country's farmers who generally cast their votes to the right of the political spectrum. In one recent opinion poll, for instance, 79 per cent of farmers said they would vote for Mr Jacques Chirac, the neo-Gaullist leader, in a presidential race, compared to only 21 per cent for Mr Michel Rocard, the likely socialist standard-bearer.

But French farmers' political clout is partly due to their sheer number. There are still at least 1m working farmers - 6 per cent of the electorate - and the "farm vote" is swelled further by many retired farmers. According to FNSEA, the "monde rurale", encompassing all those in France's small villages and towns whose livelihoods are linked to farmers' prosperity, amounts to 17 per cent of the 37m electorate.

On top of this is the political quirk that the rural (as distinct from the urban) population remains over-represented in the indirectly-elected French Senate, though, due to electoral boundary changes in 1986, this is no longer so in the directly-elected National Assembly.

The ruling socialists got a nasty reminder of the power of the farm lobby in the Maastricht referendum, in which farmers nearly tipped the balance by voting 63 to 37 per cent against the treaty.

It is significant that the lynch-pin of President Mitterrand's new strategy to attract middle-of-the road voters was the appointment in September of Mr Jean-Pierre Soisson, a centrist, as his new agriculture minister. Any serious French concessions in Gatt on agriculture would blow this strategy.

Few in France are willing to take on the farm lobby. France's big service companies would like a rapid Gatt deal to expand financial and telecommunications exports. But they only get a weak hearing inside the government. Their natural channel of influence would be the minister of industry, Mr Dominique Strass-Kahn. But he is also responsible for foreign trade, and agricultural goods account for 16 per cent of total exports.

It is precisely because of this that France is most exercised, not to say angry, about US demands that the EC should cut not only the money it spends on subsidising exports, but the actual volume of these shipments by 24 per cent over six years. The particular gripe is that the reference period chosen by the US is 1986-88, when EC cereal exports averaged 23.3m tonnes a year.

Since then EC cereal exports have risen, by 1991-2, to nearly 28m tonnes, of which France accounted for 10.4m tonnes. Thus, the French complaint is the US is asking the EC in general, and France in particular, to take a far bigger cut than Washington pretends to realise.

MR Arthur Dunkel, Gatt director general, yesterday called for negotiators to keep cool, reports David Dodwell.

"We have to wait a bit, let the dust settle, and remind ourselves that this is another moment of tension, not the first one."

He said he was considering calling the trade negotiating committee, the main Gatt body dealing with the six-year-long Uruguay Round talks next week to assess the situation.

"I would not like to be in the shoes of either the Community or the US coming back to say to other contracting parties that they have failed to settle their differences. There will be a great deal of anger, for the sake of what is at stake."

He believed common sense would eventually produce a breakthrough: "I can't imagine that the US or the EC would take the responsibility of breaking down the round at a time when we need so much a success as a signal for the very sluggish world economy."

He said the breakdown coming after hopes of a breakthrough had over-dramatised the situation.

"The round is a multilateral round and is being negotiated here in Geneva. We have the institutions in place to push the negotiations forward. The EC and the US have to come back to Geneva, and it is then that we will know what the real situation is. In the meanwhile, we have to let the dust settle, and then we can act on that."

Brussels acts to dispel fears over data processing

By Andrew Hill in Brussels

THE European Commission yesterday acted to dispel fears of draconian EC-wide restrictions on data processing with the publication of drastically revised measures to ease the cross-frontier flow of information.

Interest groups had raised vociferous objections to the commission's first draft directive on data protection, which was published in 1990.

But the commission, which admits the first version was prepared in haste, has now rewritten the text to meet criticism that it would have hampered the private sector, while giving the public sector a free rein to process personal data.

The commission argues that if national data protection laws are not harmonised, EC countries with high levels of protection - such as Britain and Germany - will be able to restrict data transmission to their EC partners.

Among specific changes in the complex text is a decision to apply broadly the same rules on personal data to public and private sector. Human rights groups feared that under the earlier text governments would be able to do what they wanted with personal data.

The commission has also met direct marketers' demands for an "opt-out" clause, which will allow them to use personal data - for example, lists of addresses - unless data subjects have already expressed an objection.

Brussels' controversial proposals to prohibit transfers of data to countries such as Taiwan which offer little or no protection for personal data have also been watered down slightly.

The commission hopes the directive will be adopted by member states next year, and it could come into force from July 1, 1994.

Russian ministers warn of growing danger from 'fascism'

By John Lloyd in Moscow

RUSSIAN government ministers and their supporters yesterday warned of an imminent danger of "fascism" as the battle lines were drawn ever more sharply between the majority of parliamentary deputies and the embattled reformers around Mr Boris Yeltsin, the Russian president.

Mr Pyotr Fillipov, a leading government supporter warned of a growing danger from "the former communists who are tomorrow's fascists".

Mr Yegor Gaidar, the acting prime minister, himself departed from his usual restrained rhetoric when he said in an interview with the Italian daily Il Messaggero that "in general, there exists a real danger of fascism".

The past 10 days have shaken Russia's political world out of a state of restrained hostilities to the verge of open war. The fragile power structure of the country is now in a ferment as the various forces battle for supremacy round the figure of President Yeltsin.

On the government side, a group of ministers, together with Mr Yeltsin's most senior adviser, opened the campaign by briefing foreign journalists last Friday on the dangers of a reactionary coup.

Mr Andrei Kozyrev, the foreign minister who took part in the initial briefing, refined the argument to a claim that the president himself was under direct threat.

Gen Alexander Rutskoi, the vice-president and leading figure in the centrist Civic Union coalition – a coalition which has become increasingly hostile to the government, while still pledging allegiance to the president, democracy and reform – called directly on Wednesday for the resignation of more than six government ministers. On the same day, the Russian parliament rejected Mr Yeltsin's call for a four-month postponement of the Congress of People's deputies – the full legislature, comprising 1,045 deputies, many of them ex-communists, who are mostly bitter opponents to the government and its reform plans. Gen Rutskoi endorsed the parliament's action.

In the midst of this, Mr Ruslan Khasbulatov, the parliamentary speaker, provided some light relief by being accused, on Wednesday, of being under the influence of drink or drugs by Ms Bela Denisenko, the deputy minister of health and herself a doctor.

Mr Khasbulatov had alleged at a hastily called press conference that his life was in danger and that he was under constant surveillance: his medical advisor later said he was suffering from overwork, too little sleep and too much smoking, and had him hospitalised.

The incident had the political world buzzing with delight – but is in itself an indication of the feverishly antagonistic state into which politics has fallen.

These events took place against a background of steadily worsening economic crisis. At a conference organised by the International Labour Organisation in Moscow this week Mr Feodor Prokopov, head of the Federal Employment Service, said unemployment had shot up from 200,000 to 600,000 over the past month and would reach nearly 1m by the end of the year – this may grossly understate the reality.

Mr Prokopov said that if the government does what it has said it will, and again tightens credit, unemployment would be above 2m within a few months, and climbing fast.

In seeking to keep at bay the spectre of unemployment, the government has simply given up monetary discipline and has made little attempt to restructure industry.

It is thus in danger of finding itself getting the worst of both worlds: it has not achieved a breakthrough in reform, but it has not placated the forces ranged against it.

Even if the president and a reform cabinet can bear this very hard pounding, it is now clear that radical reform, as conceived by Mr Gaidar's team and the world financial institutions, principally the International Monetary Fund, is in tatters and can hardly be revived.

Western governments, distracted as they all are by domestic pressures will, when they again focus on Russia, be required to take account of a situation much grimmer than it was in midsummer, when the Group of Seven met Mr Yeltsin in Munich and pledged continuing support. The IMF-approved plan for a rapid march to financial stability will not work: instead, aid will be required to achieve political stability.

It may already be too late for the limited purchase foreign countries can exert on the situation. Even moderate opinion is deeply sceptical of western good intentions: the "centre" has shifted to a toughening nationalist position.

Mr Yeltsin, like Mr Mikhail Gorbachev before him (though he hates the parallel), is seeking to pursue reform by a mixture of stubbornness, political skill and compromise: he has cards left to play, but they mostly involve raising the ante to confrontation, rather than making deals which can play one force off against the other.

Winter is coming, and it will be the hardest the Russian president has yet had to face.

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Younger LDP members talk of new political grouping

Factional row hits Japan's ruling party

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic party (LDP) was stricken yesterday by a dispute among its most powerful officials, prompting rumours within the party that new factions and even a new party could soon be formed.

The confusion follows the choice of Mr Keizo Obuchi to lead the party's largest faction – formerly run by the party's "godfather", Mr Shin Kanemaru, who resigned in disgrace last week after violating political funding laws.

Mr Kanemaru had chosen Mr Ichiro Ozawa, a former party secretary-general, as his successor but other senior officials of the faction opposed the appointment and selected Mr Obuchi. He took office before a consensus had been reached, an unusual move in Japan.

Fearing that Mr Ozawa could dominate the party if he controlled that faction, the heads of the four other factions supported Mr Obuchi, although he does not have majority support within his own group.

These factions are not based on ideology, but on personalities. The largest faction, the Takeshita faction, owes its name to former Prime Minister Noboru Takeshita, who was forced to resign in a separate scandal three years ago.

The deep rifts within the Takeshita faction and among the other groups have prompted some younger LDP members to talk of new factions and parties.

The conflict, unlikely to be settled quickly, has crippled the party's policy-making activities, and prompted widespread criticism of the LDP's neglect of government business.

Mr Obuchi, 55, toured the offices of the faction heads yesterday, promising to "heal the wounds" opened in recent days and to reform the scandal-prone Japanese political system. Mr Ozawa's enthusiasm for deep political reforms intimidated the party elders, who are comfortable with the more modest ambitions of Mr Obuchi, a former chief cabinet secretary.

Meetings of senior faction officials are planned for this weekend. But it is unlikely the disputes will be resolved, prompting some Japanese commentators to call for the return of the disgraced Mr Kanemaru, who was capable of keeping order within the party.

Mr Kanemaru had played an important role in mustering support for details of the recent emergency economic package. The appointment of the politically weak Mr Obuchi suggests the party now has no one capable of performing that powerbroking role.

Growth in money supply to be flat

By Emiko Terazono in Tokyo

THE Bank of Japan yesterday projected flat money supply growth in coming months, but said there would be no further reduction of the official discount rate despite government calls for an interest rate easing.

In its quarterly economic outlook report, released yesterday, the bank said the previous monetary easing and the government's emergency economic package would help a gradual recovery.

Mr Kagehide Kaku, director of the central bank's research and statistics department, denied any moves to ease monetary policy.

The 0.4 per cent drop in the September money supply figure, the first decline on record, which was released earlier this week has increased pressure on the Bank of Japan to cut the official discount rate.

Meanwhile, surveys by the Economic Planning Agency (EPA) have revealed that company and consumer confidence of an economic recovery remains weak.

The Business Survey Index – a survey of 4,565 companies, weighing up those expecting an economic upturn against companies predicting a downturn in the October-December period – stood at a negative 33.

Corporate capital investment plans for the current year to March have fallen by 3.2 per cent against the previous period. Manufacturing companies plan a 10.3 per cent cut, while non-manufacturing companies expect a 1.6 per cent increase.

Perot outspending both rival camps

MR Ross Perot is now spending more money on his independent campaign than President George Bush and Governor Bill Clinton combined, writes Jurek Martin in Washington.

The latest figures from the Federal Election Commission (FEC) show that, in the first two weeks of October, Mr Perot paid \$26m (£15.9m) from his own pocket, against the Bush campaign's outlay of \$12.3m and the Clinton camp's \$11.9m.

By law the two main party candidates, receiving about \$55m each in federal funding, may spend no more than \$65.5m. According to the FEC, Mr Bush was left with \$23.5m in the bank for the final three weeks and Mr Clinton \$14.5m.

Since Mr Perot's effort is entirely self-financed he is subject to no limits, although he must report what he spends. Almost all his outlays are on a massive advertising campaign – \$23.6m in the first two weeks of October alone – and, if he maintains the current rate, he may exceed the permitted ceiling for the other two. So far he has spent \$48m on his own cause.

Mr Perot is avoiding conventional campaigning. Aides in Dallas keep holding out the prospect that he will make personal appearances and hold rallies, but no schedule has been announced with only 11 days to go before election day.

Concentrating solely on paid-for advertising, apart from his "free" participation in the presidential debates, means he has to answer no questions from the media. Both the Bush and Clinton campaigns, worried by his upward movement in the polls, have been pressing the media to investigate Mr Perot's record, much as they had earlier in the summer.

CBS TV reported on Thursday night that it had found no evidence to substantiate one of Mr Perot's claims that a band of would-be assassins hired by the North Vietnamese had once penetrated his family compound in Dallas, only to be repelled by his guards. Otherwise he is still getting off lightly.

Vice-President Dan Quayle insisted on TV yesterday that the race was between Mr Bush and Mr Clinton and that Perot supporters should "think long and hard about whether they really want to throw their vote away".

However, the latest NBC/Wall Street Journal poll shows the gap between Mr Clinton and Mr Bush to be twice as big as that between Mr Bush and Mr Perot. It gives Mr Clinton 47 per cent, Mr Bush 28 per cent and Mr Perot 19 per cent.

However, in electoral college terms – where 270 votes are needed for victory – Mr Perot is not yet a threat to carry a single state.

The latest compilation of state polls by Hotline, a political newsletter, has Mr Clinton ahead in 39 states with 421 college votes, Mr Bush in seven with 45, leaving five states, worth 72 votes, reckoned a tie. Only in Alaska, Nevada and Wyoming, amounting to 10 college votes, does Mr Perot score 20 per cent or more.

PRESIDENT George Bush declared yesterday the US could "begin writing the last chapter of the Vietnam war", writes Jurek Martin.

Following a White House debriefing by a US mission just returned from Hanoi, Mr Bush said he would immediately authorise "modest" humanitarian aid to Vietnam, mostly for flood relief. This is in return for documentation provided by Vietnam on the unknown fate of more than 2,200 Americans held prisoner of war and missing in action.

Mr Bush said "we will begin reviewing what further steps we can take with Hanoi. We appreciate what's been done."

Senator John McCain, the Arizona Republican who was a former prisoner of war and part of the US delegation, said Vietnam was now "desperate for economic assistance".

Foreigners given electoral drubbing

With the Soviet empire out of the way, candidates are picking on other targets, writes **Jurek Martin**

BY tradition, the US secretary of defence is supposed to stay out of election year politics, presumably to mind the nation's security while the president is out winning votes at factory gates, in farmyards and, increasingly these days, in the television studios.

Mr Dick Cheney, the Pentagon incumbent, has not broken with tradition; and only a cynic would suggest this detached role might suit him if the Republican ship went down as he might then stand a better chance of becoming its captain in 1996.

He did give a speech a few weeks ago in which he lamented the fact that foreign policy was not getting much of an airing in the campaign, but Mr Cheney must be truly disengaged if he believes this to be so.

To most people it is obvious that now there is no Soviet empire to kick around, the dread generic foreigner is the villain in the presidential drama.

President George Bush set out by proclaiming himself the "foreign policy president," which certainly sounded more plausible than his claims to be the "environment president" and the "education president". He had won a war, two if you count Panama, while the country was not conspicuously greener or more learned.

But this was pretty much an open invitation for Governor Bill Clinton to complain, as did every other Democratic primary contender, that Mr Bush cared far more about foreigners than he did about Americans. This grew worse after Los Angeles erupted in flames and while Mr Bush was spending his time trying to persuade Congress to send money to Russia rather than to Watts.

When Mr James Baker was moved from the State Department to the White House, a subtle shift was discernible. Mr Clinton now charged that Mr Bush cared far more about his re-election than he did about foreigners, which was all wrong as anybody could see the world was going to hell in a hand basket.

But, of course, so was America. This had earlier prompted Mr Clinton to proclaim that foreigners, in the shape of international corporations, simply were not paying their full tax whack. If they did – and he had a plan to make them – all sorts of wonderful things could be done for Americans.

Mr Bush also changed his tune. The flaw in Mr Clinton, he suddenly detected, was that he had fallen under evil foreign influences. There was his time at that cradle of European social engineering, Oxford University, which could hardly be seen as part of the great American tradition. After all, social engineers were only a step away from communist engineers and everybody could see what good they had done.

Nor was the president above hinting darkly that Mr Clinton might even have been doing the commie bidding, by going to Moscow and by demonstrating against the Vietnam war. Mr Clinton even wanted to do business with President Saddam Hussein of Iraq, the ultimate unacceptable foreign face, even though, naturally, he had his own good policy reasons for doing precisely the same thing.

But neither of the candidates come close to Mr Ross Perot. A believer in conspiracies and cover-ups, the independent from Texas sees a foreign hand behind everything that is wrong with America. He packaged it all in last Monday's televised presidential debate.

The country, he declared, was being ruined by foreign lobbyists, many of whom were actually Americans working for the Bush and Clinton campaigns, and Mexicans would be "sucking" away even more American jobs courtesy of the Nafta agreement. Indeed, in every trade pact he could think of the US government was "breaking our business's legs" and had been consistently outnegotiated by the wily foreigner, who ought not to be allowed to land his cars at America's docks if the rules were not changed.

It got worse. British Airways and KLM were conspiring to undermine that great American birthright, its airline industry. Pretty soon there would be no Boeing and McDonnell Douglas jets to fly around in any more, what with the subsidised Airbus and the Japanese plotting to get into the commercial aviation business.

And then there was President Saddam, not to mention General Manuel Noriega.

Curiously, all three also like some foreigners. Mr Bush is always talking to Canadian Prime Minister Brian Mulroney, mostly about how awful it was that the Canadian flag was flown upside down at the baseball World Series game in Atlanta and sometimes about how to win elections from behind. He used to talk to British Prime Minister John Major about that, too.

He certainly thinks the Arabs and Taiwanese do not have enough weapons and is even willing to talk to the Vietnamese, although that might be because he is growing a little worried about China.

Mr Clinton does not seem to like the Chinese much either, but he got on famously once with Russian President Boris Yeltsin, is surrounded by Rhodes scholars, and has invited foreign corporations by the hundreds to set up business in Arkansas.

Even Mr Perot thinks Germans and Japanese are pretty good at "bidness", although that might not be so if they paid more, as he thinks they should, to defend themselves.

And nobody likes the Serbs.

Emperor 'deplores' war atrocities in China

By Simon Holberton in Beijing

EMPEROR Akihito of Japan last night said he "deeply deplored" the suffering caused during the Japanese army's occupation of China, but fell short of issuing a formal apology.

At a state banquet in his honour in Beijing, however, Emperor Akihito went further in atoning for Japan's actions than his father Hirohito – the god-monarch who presided over Japan during the second world war and who usually expressed his "regret" about the past on such occasions.

"In the long history of the relationship between our two countries, there was an unfortunate period in which my country inflicted great sufferings on the people of China," Emperor Akihito said. "I deeply deplore this. When the war came to an end the Japanese people, believing with a sense of deep reproach that such a war should never be repeated, resolved to tread the road of a peaceful nation."

Although the speech may satisfy the Chinese government – which is keen to encourage Japanese investment in China – it is moot whether it will satisfy public opinion.

Emperor Akihito (forefront) with Chinese President Yang Shangkun in Beijing yesterday

The Chinese have been schooled, as a matter of government policy, in Japan's war atrocities in their country. As many as 10m Chinese citizens are estimated to have been killed during the occupation, which began with the Manchurian incident in 1931 and ended with Japan's defeat in the Pacific war in 1945.

Museums have been erected in many parts of the country to glorify the Communist party's resistance to the Japanese invasion and to emphasise the brutality of its occupation.

The Chinese government had allowed some citizens to agitate against Japan in the run-up to Emperor Akihito's visit and has permitted publication of calls for Japan to pay \$180bn (£110.4bn) in war reparations, despite waiving the right to seek them when normalising relations 20 years ago.

Asean ministers agree free trade programme

By Jose Galang in Manila

ECONOMIC ministers of the Association of South-East Asian Nations (Asean) yesterday reached agreement on the main elements of a programme to turn the six-nation regional group into a free trade area by the year 2008.

The six – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – will implement a common effective preferential tariff (CEPT) scheme on January 1, which will reduce over the next 15 years tariff rates on a range of manufactured and processed agricultural products traded among themselves.

Tariff rates on these products are to be brought down to 20 per cent by the year 2003, and to 0-5 per cent by 2008, when the Asean free trade area (Afta) is formally created.

Asean's senior economic officials still need to thrash out "some minor technicalities" prior to the Afta launch in 70 days' time.

Afta is designed to stimulate more intra-regional trade and attract foreign investment to the area, as a way to counteract the rise of regional trading blocs in North America and Europe.

Asean economic ministers are to meet Mr Kozo Watanabe, Japan's trade minister, this weekend to discuss prospects for increased co-operation.

Beijing's Gatt hopes rise

CHINA'S attempt to rejoin the General Agreement on Tariffs and Trade (Gatt) took a step forward yesterday with the decision of a working party considering Chinese membership to start negotiations on entry terms.

The US and the European Community had wanted more information on China's present and future trade policy, but yesterday they agreed to seek this information in parallel with the membership negotiations.

Lebanese money-changers cash in on the 'last-hope premier'

By Lara Marlowe in Beirut

THE appointment on Thursday night of Mr Rafik Hariri, the Lebanese-born Saudi billionaire, as the Lebanese premier was widely celebrated in Beirut and prompted an immediate 13 per cent rise in the value of the Lebanese pound, to L£1900 to the dollar.

So great was the optimism inspired by the appointment that banks and money-changers closed early yesterday when they ran out of notes to trade.

Many Lebanese see Mr Hariri, a self-made banking and construction tycoon, as the last hope for an economy plagued by 100 per cent inflation, 30 per cent unemployment and damage from the 1975-90 civil war estimated at more than \$20bn (£12.2bn).

Mr Hariri, 48 and a Sunni Moslem, wants to replace the traditional leaders who have dominated post-war cabinets with more qualified and dynamic technocrats. Unlike the majority of Lebanese politicians, he played no part in the war.

But he financed the 1989 peace conference in Taif, Saudi Arabia, which ended the conflict.

Aides say he contributes \$87m to Lebanese charities annually.

Since 1989 Mr Hariri has bankrolled the Lebanese presidency and the Council for Development and Reconstruction (CDR). The CDR has restored basic services to the capital and promoted a controversial \$2.65bn renovation plan for the ruins of downtown Beirut.

Mr Hariri has a personal fortune estimated at \$3bn and is listed by Forbes Magazine as one of the 100 richest men in the world. His Méditerranée Investment Group holds 35 per cent of the new Banque Française de l'Orient, formed by this week's merger of the Indosuez group, Méditerranée, Al Saudi and Libano-Française banks. He has substantial real estate holdings in France and the US.

For Lebanese locked into a rigid social hierarchy, Mr Hariri's rise from a modest Sidon farming family to vast wealth and the country's premiership is nothing short of astounding.

After studying business administration at Beirut's Arab University he emigrated to Saudi Arabia in 1965 where he worked first as a mathematics teacher, then as an accountant. In 1976 he won the favour of the Saudi royal family by building the Taif Intercontinental Hotel in just six months, in time for the Islamic summit.

Mr Hariri was at that time a sub-contractor for the French company OGER, which he later purchased. He proceeded to build palaces, hospitals and conference centres throughout Saudi Arabia and recently completed a complex for President Hafez al-Assad of Syria.

The new premier maintains good relations with Damascus; his friendship with Vice-President Abdul-Halim Khaddam, responsible for Syrian policy in Lebanon, will prove useful in coming weeks as the government negotiates the withdrawal of Syrian troops to eastern Lebanon. Both King Fahd of Saudi Arabia and President Assad met Mr Hariri shortly before his appointment.

His association with the Saudi royal family may attract badly needed investment from the Gulf, but it could prove a source of friction with Iranian-backed Shia Moslem fundamentalists in Lebanon. Twelve Lebanese fundamentalist deputies were among the few parliamentarians who opposed his nomination.

Rafik Hariri: self-made tycoon

■ Bingham Report changes played down ■ Supervisory work to be aided ■ Details on fund movements sought

Councils hope for rebate over BCCI

By James Buxton

LOCAL authorities that lost money when BCCI collapsed still hope the government will agree to compensate them for at least part of their loss.

Thirty councils in Britain lost a total of £83m when the Bank of England closed BCCI in July 1991. The biggest loser was Western Isles Council in north-west Scotland, which lost £23m. The second-biggest was Bury Council, which lost £6m.

Mr David Pine, a solicitor with Eversheds Alexander Tatham of Manchester, which represents the councils and some public utilities affected by BCCI, said his clients took heart from the Bingham report's damning comments about the Bank of England.

Mr Pine, whose firm represented many investors who lost money in Barlow Clowes, said: "We're hoping that, as in the Barlow Clowes case, the government will recognise that there has been negligence and accept its obligation to pay creditors." In that case, investors received from the government 90 per cent of the money they had lost.

He said he hoped the government would make a compensation payment to the liquidators of BCCI that would be paid out in addition to compensation that may be forthcoming from Abu Dhabi.

On Thursday Mr Norman Lamont, the chancellor, rejected calls for extra compensation for those who had lost money in BCCI. He said the existing depositor protection scheme had already paid out £250m to 9,000 people, each of whom received 75 per cent of their deposits.

Mr Rory Mair, chief executive of Ross & Cromarty Council and spokesman for all the affected councils, said the Treasury select committee had concluded in its report on BCCI last December that if the Bank of England were found to have failed to discharge its supervisory duties, the losses incurred need not be met by local authorities or their poll taxpayers.

"The Bingham report confirms that the Bank has indeed failed in its responsibilities," he said. The Treasury confirmed yesterday, though, that there was no question of special government compensation.

Doubt on insurance control proposal

By Richard Lapper

THE INSURANCE industry is playing down the importance of regulatory changes, proposed yesterday by Mr Norman Lamont, the chancellor, in the wake of the Bingham report.

Mr Lamont proposed that the auditors of insurance companies and building societies, as well as banks, should face a new statutory duty to report any suspected fraud directly to regulators.

The change, though, is unlikely to have much practical impact. Auditors have enjoyed the right to report any suspected fraud to the regulator, even if that breaches client confidentiality, since the 1986 Financial Services Act. Moreover, guidance notes for members produced by the English Institute of Chartered Accountants converts the right into a professional duty.

"Any accountant who ignored this advice would be foolhardy and would be likely to face disciplinary proceedings," said Mr Roger Hewel, chairman of the institute's insurance committee.

Mr Keith Loney, of the Association of British Insurers, the industry trade association, said the proposals would "be welcomed. We would not raise any objections."

Mr Loney said that in the past the proposals might have been opposed. But although insurers were still keen to protect client confidentiality "thinking had moved on".

Liaison body will act as fraud probe clearer

By Richard Donkin

ONE OF the most important developments from the Bingham report is the creation of a new liaison body between supervisors and other bodies engaged in the detection of fraud.

Before the Chancellor's announcement, no formal group had existed among regulators for the exchange of information on potential frauds, although a number of ad hoc meetings have been held in the past to discuss specific investigations.

The new group has a core of statutory regulators – the Bank of England, the Securities and Investments Board and the Department of Trade and Industry. It will also include criminal investigators and will occasionally draw in prosecuting authorities. The Inland Revenue is excluded from the group because of the strict confidentiality laws on tax matters.

The group's main aim is to oversee the exchange of information and to co-ordinate action between different bodies. One of the Bingham report's main criticisms was the lack of communication between organisations that allowed the fraud at the Bank of Credit and Commerce International to escape detection for years.

Mr Ian Watt, the KPMG Peat Marwick partner who is to head a new special investigations unit at the Bank of England, said he expected the group to involve regular liaison meetings, although its exact format or name has yet to be designated.

He said: "One of the things the investigation unit will be wanting to do is to create and maintain a close liaison with the other agencies that have the task of regulating and eliminating fraud."

The Bank of England said it would provide the secretariat for the group, which will develop its own terms of reference and methods of operation. Mr Watt is likely to be the group's first chairman.

"The Treasury regard this as one of the most important things to come out of the Bingham inquiry and we rather share that view," the Bank of England said.

Mr Watt said he also expected to be involved in improving the collation of intelligence at the bank. Previously the bank has used a system called confidential inquiries, which provides the Bank's officers for liaising with police, Customs and Excise, and the Serious Fraud Office. That system will be included in the new unit.

Scrutiny for transfers

By John Gapper

MOST international transfers of funds between banks will now have to carry details of who made the payment, in accordance with a recommendation of Lord Justice Bingham aimed at limiting the scope for bank fraud and money laundering.

Swift, the Brussels-based network that handles most electronic transfers of money between banks, has notified all banks that transfers will now have to specify at least the account number of the party making a payment.

The reform is intended to obstruct both deliberate fraud by banks and money laundering through a circuit of bank accounts. It should enable regulators and auditors to trace suspicious payments back to their source.

Payments through Swift have until now had only to specify the account number into which a payment should be made. Now, the name and address of the payer will have to be included along with account number, where possible.

In the vast majority of cases, such details are already given to ensure a record is kept. However, BCCI was one case in which a fraudulent bank kept secret details of payments in order to make it more difficult to trace frauds.

Banks customarily make such payments through correspondent banks in the relevant country that handle such transactions on their behalf. Until now, such banks may have been told no more about a payment than from which bank it originated.

The Bank of England said yesterday that the Swift reform would tighten the regulation of money transfers. It has also written to the British banks using the Swift network, urging compliance with the new Swift requirements.

A proposal for greater details of payments was made by Price Waterhouse, BCCI's auditors. Mr John Hitchins, banking specialist partner, said the firm hoped the matter would be pursued by the Basle Committee of bank supervisors.

Victims express anger

By Khozem Merchant

"The report is a sham. I am still suffering, my children suffer and my business is suffering . . . people [from the Bank of England] should have resigned," said BCCI depositor Mrs Kapoor after publication of the Bingham Report.

Mr Ameen Marfani of the BCCI creditors committee was similarly enraged. "The report proves the Bank was negligent. It has consistently misled us and I am astonished that no one from the Bank has resigned."

Mrs Kapoor, who runs a fashion boutique in Marble Arch, London and a restaurant nearby, says her BCCI savings, "clear profit of £25,000 for a rainy day", would have helped cushion the impact of recession. As it is, she has had to dismiss her five staff, and work as a waitress in the evening. For the past year she has been working an 18-hour day. "The business is on its last legs," she says.

Amid this rising tide of woe there is a minority that is taking its losses in silence – the estimated 8,500 so-called BCCI "no-correspondence" UK account holders. These are the people who have refused to repond to the liquidators' letters inviting them to make a claim under the various depositor compensation schemes.

"No correspondence" accounts are designed to conceal the depositor's identity, ostensibly to evade paying domestic taxes or, in the case of those living outside the UK, to circumvent their home country's tough foreign exchange laws.

"Many of my clients are truly paranoid now. Some have come to England and declined to claim their money for fear of exposure," says a UK-based solicitor who is representing several "no correspondence" account holders.

As for the BCCI staff, their prospects remain grim. Mr Quasir Malik, a helper at the BCCI campaign committee which is working on behalf of the former 1,200 UK staff, says only 30 per cent have found jobs, few in banking.

£130m deal won by IBM group

A CONSORTIUM led by International Business Machines and including Siemens Plessey Radar and the Logica computing services company has won a £130m contract to equip the new air traffic control centre being built at Fareham, Hampshire, Alan Cane writes.

The £350m centre will manage traffic passing over England and Wales. It is expected to become operational in 1996.

The contract is part of a £750m capital programme being undertaken by the Civil Aviation Authority to improve and modernise Britain's air traffic control system.

The IBM team, which included EDS-Scicon and Frequentis, won the contract against a consortium led by Thomson-CSF of France. British consortia led by GEC and Dowty Command and Control Systems were eliminated late last year, fuelling worries over the ability of UK electronics groups to win large systems projects.

Businessmen 'lack confidence'

NEARLY 70 per cent of businessmen have no confidence in the government's ability to improve the economy, according to a survey by the UK 200 group of practising Chartered Accountants. About 56 per cent of those surveyed believe the economic position is worsening.

The three most important requirements of the people surveyed were lower base rates, improved confidence in the government and measures to stimulate the housing market.

The quarterly survey is based on a national sample of about 1,000 clients of the group's 160 member firms of chartered accountants.

Ex-directors are imprisoned

TWO former directors of Fox Milton, a London securities dealing firm, have been jailed for six months for cheating the Inland Revenue of £130,000, it was disclosed yesterday.

Mr Philip Raisey, who was chairman, and Mr Stephen Wright, company secretary, sang gospel songs in their City of London dealing room when they were carrying out the fraud, an Old Bailey jury heard.

Judge Brian Capstick said a deterrent sentence was necessary in spite of the men's former good characters and religious beliefs. "This was a fraud on the innocent taxpaying public," he said. The two men had embarked on a "consistent plan" to cheat the Inland Revenue.

He ordered them to pay £30,000 each towards costs of the case after hearing that the police investigation and the three-month trial had led to costs of £645,248.

The pair were jailed on Tuesday but a reporting ban was imposed pending a possible appeal and further prosecution. The ban was lifted yesterday.

Mr Raisey, of Chislehurst, Kent, and Mr Wright, of Sevenoaks, Kent, were convicted of conspiring to cheat the Queen and the public revenue.

Tram venture

A PRIVATE-sector consortium has joined London Transport and Croydon borough council in their plans to build a £140m tram link between Croydon and Wimbledon in south London.

Tarmac Construction of the UK, AEG Rail Systems of Germany and Transdev of France will do detailed work on the scheme in the hope that the government will help to finance it.

University College, St Thomas', St Bartholomew's, Guy's and Middlesex hospitals face changes under the Tomlinson report into health provision in London, which includes proposals to close Barts, and rationalisation for the other four

Health report calls for funds

By Alan Pike, Social Affairs Correspondent

HEALTH services and medical research in London face serious damage unless their restructuring is properly funded, the inquiry into the capital's healthcare warned in its report yesterday.

It is essential, the report says, that adequate transitional funding is provided to ensure service changes take place in an orderly fashion.

"The level of such funding will to a large extent dictate the pace of change. Change that is not managed and funded in this way is likely to be chaotic."

It was inevitable that reaction to Sir Bernard Tomlinson's report would focus initially on the hospitals that it has recommended should close. Anti-closure campaigns by threatened institutions, such as St Bartholomew's in the City, are under way.

Although Mrs Virginia Bottomley, health secretary, emphasised yesterday that the report was "advice to government, not government policy", most of the campaigns will almost certainly fail.

The government accepts that there are too many hospital beds in central London, and ministers are expressing determination to tackle at last difficult decisions that have, periodically, been reviewed and shelved throughout the century.

This means that, when the first emotion over the proposed closures dies away, attention must turn to Sir Bernard's emphasis on the need for proper funding to support the changes.

The campaigns to save specific hospitals might give the impression that the Tomlinson report faces total opposition in the National Health Service. That is not so. Organisations such as the British Medical Association and the Royal College of Nursing agree with the Tomlinson committee's overall view that resources must be shifted from hospitals to better family doctor and community services.

But supporters of Sir Bernard's basic approach were disappointed that his report did not propose more stringent arrangements for ensuring that money released from hospital closures is actually reinvested at community level.

"We are concerned about the lack of clear recommendations on how much government funding is needed and for how long," said Ms Christine Hancock, RCN general secretary.

London has more hospital beds per head of population than the rest of the country – 3.9 per 1,000 compared with an English average of 2.5.

Many of the London beds are in relatively expensive teaching hospitals which, since the introduction of the contract-based system of financing health care last year, have lost patients and run into increasing financial difficulties. But family doctor and community services are less well developed than in the rest of the country.

The NHS is a substantial employer in London. It has about 73,000 staff, and health service unions claim that up to 20,000 jobs might be threatened by the Tomlinson proposals. There are almost twice as many consultants in the capital as elsewhere, up to 700 of whom may lose their jobs. The BMA is seeking an early meeting will the government to discuss a redeployment and early retirement programme.

Arrangements for medical education will change radically. Without waiting to make decisions on hospital closures, the government accepted the broad conclusion of the Tomlinson committee that most medical education should be concentrated on four London University colleges – Imperial, University, King's and Queen Mary and Westfield.

Report of the inquiry into London's health service, medical education and research. HMSO. £6.95

870 years of medical history under threat

Bethan Hutton takes the temperature around Barts

ST BARTHOLOMEW'S Hospital, familiarly known as Barts, has been a feature of the City of London since 1123.

If the recommendations of the Tomlinson report are followed, within a few years it will merge with the Royal London Hospital at Whitechapel, and the Smithfield site it has occupied for more than eight centuries will be vacated.

St Bartholomew's shadow NHS trust said yesterday the hospital was "a local, national and international centre of excellence", and there was an "overwhelming case" for its retention.

"We believe that to lose such an institution would be seriously detrimental to the health care of Londoners and people who work and visit the capital city," hospital management said, adding that it was unable to understand the reasoning behind the basic recommendations of the Tomlinson report.

Campaigners for Barts' survival argue that, in addition to specialist care, it provides a valuable outpatient and emergency service.

They say it serves a commuter population of more than 300,000 working within a two-mile radius of the hospital, as well as 200,000 residents of Islington and Hackney and 5,000 of the City of London.

Mr Charles Croot, chairman of the residents' association at the Barbican, which houses a substantial proportion of the City's population, said he believed there was tremendous affection for Barts at the Barbican, and strong opposition to its closure.

"I am outraged by the mere possibility of closing down such a historic building," said Mr Croot. He said many people who, like himself, had been involved in raising money for new facilities at Barts would feel their work had been wasted.

"I really think that if the government decides to close down Barts, I am not voting for the Conservative party again, ever," he said.

The City of London Corporation, the local authority for the City, said yesterday it had received the Tomlinson report and would be considering its implications for City residents and businesses. The Lord Mayor and other corporation officials will be meeting Professor Michael Besser, Barts' chief executive, next week to discuss the report.

Narrowing of Ulster's religious divide seen

THE population balance between Roman Catholics and Protestants in Northern Ireland is far closer than popularly believed, according to census figures published yesterday.

The general perception had been of a two-to-one split in favour of the Protestants among the 1.5m population – but the census, taken in April 1991, shows a difference of only 4.4 per cent.

A total of 38.4 per cent recorded themselves as Roman Catholic and 42.8 per cent said they belonged to the Protestant church – 21.3 per cent Presbyterian, 17.7 per cent Church of Ireland and 3.8 per cent Methodist. Other religious groupings, including the Jewish, Chinese and Indian communities, represent 7.8 per cent of the total population.

A further 3.8 per cent recorded themselves as having no religion and 7.3 per cent did not respond to the voluntary question on the census form.

Experts believe the findings provide the most accurate snapshot of life in Northern Ireland for 20 years.

The 1981 census was distorted because many Roman Catholics did not fill in forms at a time of tension during the IRA Maze prison hunger strike.

The census shows there are now more pensioners.

N-plant reprocessing delay ordered

By David Lascelles and Chris Tighe

BRITISH Nuclear Fuels (BNFL) has been told by the UK pollution authority not to load uranium into its new reprocessing plant at Sellafield in Cumbria while public consultations on its authorisation are going on.

BNFL, which plans to commission its controversial new £1.85bn Thermal Oxide Reprocessing Plant (Thorp) next year, had asked Her Majesty's Inspectorate of Pollution if it could begin loading uranium on the basis of an existing authorisation. It argued that that would not increase discharges, since reprocessing is not due to start until next spring.

HMIP declined the request, saying it might prejudice consultation on the new draft authorisation, which is due to start shortly. The Nuclear Installations Inspectorate confirmed that HMIP asked it not to give consent to go to the active commissioning stage.

BNFL said yesterday that HMIP's position still left time for the eight-week consultation period to be completed by the end of this year, when BNFL hopes to begin the commissioning process.

The move was welcomed by environmentalists, but Sellafield unions launched a campaign against what they claim is a delay that might threaten several thousand jobs at the site.

The unions, who have the backing of Copeland Labour MP Mr Jack Cunningham, believe HMIP has been influenced by a "bluff" from anti-nuclear groups. "It appears to be all the result of the Greenpeace anti-nuclear brigade who've been conducting a rent-a-letter campaign," said Mr Alan Westonage, chairman of the Sellafield shop stewards.

More than 2,000 contractors are employed on the Thorp site at present, said Mr Westonage. "All these jobs are at risk." The unions also fear that if delays drag on, permanent BNFL staff at Thorp may be affected.

Mr Cunningham, who met union leaders for talks at Sellafield yesterday, said afterwards he was planning a campaign of action with them at Westminster and Whitehall to put pressure on HMIP to start consultation on discharge authorisation.

"I'm extremely concerned about the unexplained delay which seriously threatens several contractors' jobs in the short term and could possibly damage the reputation of BNFL with its customers at home and abroad," he said.

He added that in 1976 Thorp had been subject to the longest public inquiry in Britain, lasting 100 days, which had addressed all the issues in sufficient depth. "There is simply no credible case for a second inquiry into the operation of Thorp," he said.

Tube drivers offered payment to accept deal

By Catherine Milton, Labour Staff

LONDON Underground has offered train drivers an extra £500 a year in an attempt to persuade staff to accept a radical shake-up of pay and conditions.

Both Aslef, the train drivers' union, and TSSA, the white-collar rail union, are to ballot members on the revised package, which takes the pay of instructor-drivers to £24,000 a year. The result is expected by November 23, the date by which London Underground says staff must sign the contracts.

The offer, made after four days of talks supervised by Acas, the concilation service, includes concessions on earnings protections and travel allowance.

TSSA said it was extremely disappointed that London Underground had refused to delay the November 1 date for phasing in the package, as it would be unable to complete the ballot procedure by the end of next week.

The RMT rail union is also expected to ballot members. The union described the package as "unsatisfactory and unfair". The deal would mean 29 per cent of the 21,000 staff suffering a reduction in wages after two years.

Labour demands new deal for 1990s

By Philip Stephens, Political Editor

THE Labour party dismissed as political expediency yesterday the shift this week in Mr John Major's economic strategy, demanding instead a detailed national recovery programme to deliver a "new deal for the 1990s".

In a policy speech designed to set out a more distinctive Labour position in the economic debate at Westminster, Mr Gordon Brown, the shadow chancellor, warned that lower interest rates alone would not in itself bring a lasting upturn.

Mr Brown said that, without a clear strategy to strengthen manufacturing and an employment policy designed to strengthen consumer confidence, the government would lead Britain from a "recession crisis into a balance-of -payments crisis".

Challenging Mr Major to reveal whether the government now had any policy towards the stability of the pound, Mr Brown said that, for the recovery to be sustainable, management of the exchange rate must remain a central element of anti-inflation policy.

He said that a national recovery programme, which could not wait until the government made its Autumn Statement on November 12, should take as its starting point evidence that consumer and business confidence would not return until the fear of unemployment was reduced.

The government needed also to ensure that the recovery was balanced and sustainable, threatening neither a sharp deterioration in the trade deficit nor an upsurge in inflation.

Mr Brown called for immediate action by Mr Major to:

- Establish an emergency employment programme to remove fear of the dole queue.
- Reduce interest rates.
- Consult all sections of industry to agree an industrial policy that would raise exports, reduce imports and build the long-term strength of the manufacturing base.
- Agree action with the building societies and local authorities to pull the housing market out of recession.
- Preserve government capital spending programmes and jointly finance, with the private sector, large-scale infrastructure projects.

Rover returns to five-day working

By Kevin Done, Motor Industry Correspondent

ROVER, the UK carmaker, is returning car production to a five-day week at its assembly plant at Longbridge, Birmingham, after two months of short-time working.

The move is in contrast to actions taken this week by Ford, the leading UK vehicle maker, which plans to work only a 2½-day week for most of November at its plant in Dagenham, Essex.

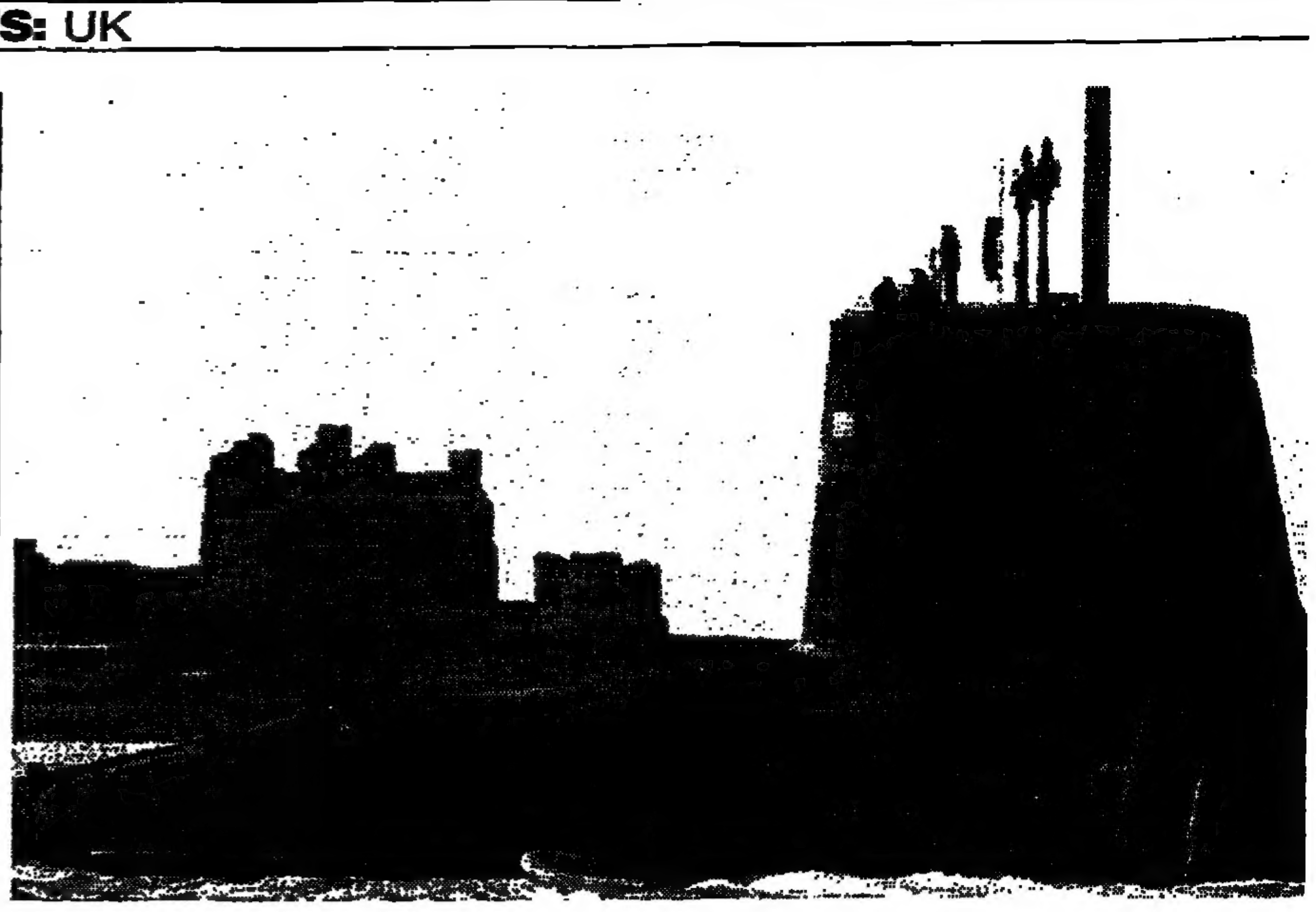
Rover said it would resume five-day working on its Rover 200/400 assembly line in the week beginning November 2 with output rising to 4,500 a week from 3,840 implemented in early September.

Rover is also resuming five-day working on its Metro and Mini assembly lines at Longbridge, which had been cut to only three-day working in mid August. Metro output will be raised to 1,900 a week from 1,560, while production of the Mini will rise from 300 to 500 a week.

- Alvis Industries of Coventry, best known for its armoured vehicles, announced 230 redundancies yesterday – about 30 per cent of its workforce.

The company, which already cut 100 jobs a year ago, laid the main blame on reduced spare parts orders from the Ministry of Defence.

The company belonged to British Leyland until it was sold to United Scientific Holdings in 1981.



Britain's first Trident ballistic-missile submarine, the 16,000-tonne Vanguard, left the VSEL shipyard in Barrow-in-Furness yesterday for Faslane in Scotland to begin trials before being handed over to the navy next year. Three more boats are on order. The Campaign for Nuclear Disarmament has called a demonstration in Glasgow today to mark the voyage.

Halifax urges intervention

By Scheherazade Daneshkhu

HALIFAX, Britain's largest building society, is calling on the government for direct intervention in the housing market to avert the need for "crisis measures" next year.

The level of housing activity is "abnormally low" and demand for houses needs to increase for there to be a housing recovery, Halifax says. The government, it says, should take measures to stimulate the housing sector including:

- Cutting interest rates to 6 per cent-7 per cent.
- Increasing mortgage interest tax relief for first-time buyers.
- Considering phasing out mortgage interest tax relief for existing homeowners to pay for better-targeted subsidies.

Otherwise, Halifax says, the number of repossessions are likely to increase, those with negative equity will remain in that position for several years, and any eventual recovery will be sluggish.

In its bulletin Viewpoint, Halifax compares the housing recession that began in 1988 with previous downturns in 1974-76 and 1979-82. It finds:

- Real house prices fell in all three cycles but nominal, or cash, prices have fallen for the first time in this depression.
- Real interest rates are still positive, whereas real interest rates were negative in the previous two downturns.
- Regional house price gaps widened to historically high levels in 1988, followed by a sharp narrowing of regional price differences.

The most significant difference between the present cycle and past downturns is the drop in people's wealth, according to Halifax.

It says that the fall in nominal house prices, combined with positive interest rates and a fall in inflation, "forced up the real costs of borrowing for house purchases to levels not experienced before by home buyers in the UK".

UDM challenge on pit 'mothballing'

By David Goodhart, Labour Editor

BRITISH COAL could be forced to continue cutting coal at the 10 pits that have been reprieved for only 90 days, according to the Union of Democratic Mineworkers.

A further three of the 10 pits stopped cutting coal yesterday, to add to the four that stopped the previous Friday. British Coal says the final three are likely to stop soon.

British Coal is now charged with maintaining "the essential fabric of the mine" in all 10 cases so that, in theory, they could all be reopened after the 90-day review, something that neither the government nor British Coal wants.

But the UDM has written to British Coal challenging the economics and legality of ceasing coal production. The letter says the UDM "cannot understand the economic logic of sustaining most of the costs of production but not cutting coal". If it does not get a satisfactory reply, the union will apply for another injunction against British Coal ordering it to resume coal production.

Mr Paul Todd, the UDM's solicitor, says that some mines will quickly become unworkable and unviable after coal production ceases. He says: "Keeping mines on a care-and-maintenance basis is not enough, as British Coal knows very well because it is what they were always saying themselves in the 1984-85 strike."

Most of the 7,300 miners at the 10 pits have been sent home on full pay, although some are working on salvage operations. If those miners are made redundant at the end of 90 days, their redundancy pay will be based on the their last period of full work.

Some miners at the 10 pits have given up hope of a reprieve and are applying for voluntary redundancy, although they are being discouraged from doing so by their unions. British Coal says that at Markham Main in Yorkshire about 200 men have already applied.

Meanwhile Mr David Hunt, Welsh secretary, said yesterday that he would do everything possible to get new jobs for miners in the principality.

Former BR chairman testifies in bribe trial

By John Mason

THE SCALE of the alleged bribery of British Rail staff by Plasser Railway Machinery GB, the track maintenance suppliers, came as a "considerable surprise" to Sir Peter Parker, former BR chairman, he told the Old Bailey yesterday.

He was giving evidence at the trial of Plasser and two of its executives, Mr Norbert Jurasek, managing director, and Mr Michael Brooks, company secretary, and Mr David Currie, BR's former head of civil engineering. All deny giving or receiving bribes in the form of air tickets and hospitality.

Sir Peter said that in 1983, BR received complaints from NEI, a competitor of Plasser, after NEI had lost a tender bid. NEI complained that the relationship between Plasser and some BR staff was extremely close and possibly improper.

BR investigated the claims, but found nothing improper had taken place, he said.

Sir Peter, chairman of BR from 1976 to 1983, agreed that corporate hospitality – including paying for entertainment and travel – was accepted commercial practice.

However, there was a world of difference between providing hospitality and trying to fix a contract, he said.

BR's guidelines on accepting gifts were well known by staff, as were the difficult and sensitive areas when gifts might be made when contracts were being fought for.

He had never had any incident over excessive entertaining drawn to his attention, he said.

The trial continues.

Secret selection of judges is 'farcical'

By Robert Rice, Legal Correspondent

THE SYSTEM of appointing judges is "bizarre and farcical", Lord Williams QC, chairman of the Bar, said at the Law Society's annual conference in Birmingham.

The judiciary suffers from "pointless secrecy – the curse of this country – and over-defensiveness", he added.

Lord Williams explained that when barristers applied to be assistant recorders – the first step on the road to the High Court bench – a secret file was opened on them.

"You don't know what is in it," he said. "You don't know which of your dear friends have contributed. The cruellest error may be in it. You cannot put it right. It is carefully kept under lock and key by a graduate from the Franz Kafka school of business management."

Lord Williams said he had recently suggested to the Lord Chancellor that anyone who was the subject of such a file should be allowed to ask for it to be reviewed by the Bar chairman.

"You will be amazed to hear the answer was no," he told the conference.

He also attacked the training of judges as "lamentably scanty". A High Court judge received no training after appointment and circuit judges got a week-long seminar once every five years. This was "quite simply not good enough", he said.

Lloyd's syndicate is criticised after loss

By Richard Lapper

POOR underwriting was to blame for insurance losses at Cuthbert Heath syndicate 1084 in the opinion of a Lloyd's loss review report made available to Names yesterday.

Its losses of £4.4m are small compared with those sustained by larger syndicates such as those managed by Feltrim and Gooda Walker agencies, but they have been a heavy burden for syndicate 1084's Names, the individuals whose assets back underwriting at Lloyd's. Almost 200 Names who supported the syndicate in 1988 face average losses of more than £20,000 each.

Overall, the loss was equal to 142 per cent of its capacity, or capital base.

The loss review report is the fourth of a series of loss reviews prepared by Lloyd's in the wake of the market's losses in 1988, 1989 and 1990.

The report says syndicate 1084's underwriter bought insufficient reinsurance protection and failed to keep proper records or track his exposure to potential losses. As a result, the syndicate was swamped by claims from the Piper Alpha oil platform explosion in July 1988.

The use of a financial reinsurance policy bought by the syndicate at the end of 1988 is questioned in the report. It says the policy may have worked to the disadvantage of Names who joined the syndicate in 1989 and afterwards.

Met commissioner named

By Alan Pike, Social Affairs Correspondent

MR Paul Condon was named yesterday as the new Metropolitan Police commissioner and pledged to "improve the quality of life in the capital so far as policing impacts on it".

Now chief constable of Kent, Mr Condon will be, at 45, one of the youngest ever commissioners on taking over from Sir Peter Imbert in January.

He said that, in addition to improving the quality of life in London, his other priorities would be to improve the security of people living and working in the capital and to encourage respect for the rule of law. "So that means heavy emphasis on the ethical standards of policing in London."

The Metropolitan commissioner is the most high-profile post in British policing. Ministers will be hoping that Mr Condon will improve the national image of a service that has been damaged by repeated scandals over miscarriages of justice.

Paul Condon: takes charge of London's police in January

Mr Condon, who joined the police in 1967, was selected for accelerated promotion three years later and attended St Peter's College, Oxford, between 1972-75, gaining bachelor's and master's degrees in jurisprudence.

He served in the Metropolitan force before joining Kent as assistant chief constable, formulating plans for policing the Channel tunnel. He went back to the Met, returning to Kent as chief constable in 1989. He has been credited with improving managerial efficiency in the Kent force, and showing the emphasis on ethical standards that he plans to make a priority in London.

Mr Kenneth Clarke, home secretary, said Sir Peter had focused attention on the need to provide a high standard of service and maintain trust between the police and community. He believed Mr Condon would prove "a forceful successor to a very distinguished commissioner".

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Mr Major's growing pains

"A *STRATEGY for growth is what* we need; a strategy for growth is what we are going to have." Thus did Mr John Major announce what looks like the most significant of *the many U-turns made by* his government since September 16, the day the pound and the government were found wanting.

The prime minister wants an "early, strong but *sustainable*" recovery, with particular emphasis on the "early". He is in exalted company. The leader of every leading country wants the same thing and Mr George Bush seems doomed to pay the ultimate price for his failure to achieve it. Will Mr Major be any more successful? Unhappily for him, recovery is likely to be slow in coming and be weak when it does.

Many have recommended an *independent Bank of England* as part of the solution to the government's lack of long-term counter-inflationary credibility. Unfortunately, Lord Justice Bingham's devastating report on the Bank of England's supervision of the Bank of *Credit* and *Commerce International* has taken a bit of the gilt off this gingerbread.

What are the remaining options? Many recommend still lower short- term rates of interest. But *there is more of a conflict over* fiscal policy. Some recommend further fiscal expansion, ignoring the fact that the public sector borrowing requirement is already *some 5 to 6 per cent of gross* domestic product. Others argue for fiscal consolidation, instead. Few will be surprised to find the Treasury in the latter camp. But the Treasury may be out of touch with the government's policies. Mr Kenneth Clarke, the home secretary, said *policy was* "to go for growth and recovery out of this recession", while Mr Lamont denied that there is any U-turn.

Next week's Mansion House speech *by the chancellor and the* following week's Autumn Statement on public spending should reveal more. They need to do so. Sterling's exit from the ERM and *the volte face over the closure of* the 31 coal pits have, taken together, made the government look decidedly silly. It must re-establish its authority once again.

Another downturn

Its own disarray is not the government's sole problem. At home, *the recession may be entering* another downturn. Abroad, the economies of continental Europe and Japan are slowing down rapidly, while the US is still struggling to mount a real recovery. Yet the plight of the global economy must not be exaggerated. This is not the Great Depression. The UK economy was the only one in the group of seven leading industrial countries to shrink over the latest 12 months, although it was joined by Germany in the latest quarter.

It is little wonder that Mr Major's government is so unpopular. It is not likely to become less so very soon. This week's quarterly survey from the British Chambers of Commerce argues that the UK fell into the "second *leg" of the recession* in the third quarter, with confidence falling to levels last seen in the winter of 1990-91. The volume of imports (excluding the erratic items) continued to grow faster than that of exports between the second and third quarters. Sterling's devalua*tion – now 11 per cent on the* nominal effective exchange rate, since Black Wednesday – will help, but its effects will not only be long delayed, but be offset by the gathering slow-down in continental Europe.

Rate cut

Lower interest rates should also assist the recovery, mainly because they would help financial intermediaries and borrowers to rebuild balance sheets. An annex to the latest World Economic Outlook from the IMF shows that the ratio of total private non-financial sector debt to gross domestic product in the UK more than doubled between 1980 and 1991. The task ahead is immense.

Lower interest rates are not likely to encourage much borrowing, as both the US and Japan have discovered. One reason is the debt mountain. Another is the level of long-term interest rates. At around 9 per cent, these reflect both the high real rate of interest and the persistence of inflationary *expectations. It was those expecta*tions that encouraged the huge borrowings of the 1980s. The self-same expectations are keeping long-term rates of interest up dur*ing the recession. Given these* worries, the stimulatory effects of further increases in fiscal deficits are at least uncertain.

The problems are not unique to *the UK, though they are particu*larly severe there. What is also not unique is concern about the international economy. Beggar-my-neighbour policies are coming *back into fashion.* The worst example is not the recent changes in exchange rates, which can be justified, but trade, where a complete collapse of the Uruguay Round of multilateral trade negotiations now seems likely.

Debt and inflationary expectations at home, deflation and protectionism abroad all threaten Mr Major's "early" recovery. Recovery will take time. It will also need the preservation of a stable and open international economy. Even if Mr Major adopts the right policies, he will remain at the mercy of events.

A message from the markets

Yield curve and stock price movements suggest the economy is returning to its pre-ERM pattern, says **Peter Martin**

Financial markets aren't just a collection of podgy young men in red braces shouting down the telephone. They are also a giant, decentralised information processing system, which reflects and amplifies events in the real world – government decisions, technical innovations, social trends – and enforces a ruthless sort of *logical consistency between them.*

So what are the markets saying now about the events of the past few weeks? How has the information-processing mechanism reacted, now that some, at least, of the data on which it operates have utterly *changed?*

One way of looking at the markets is the yield curve, which shows what happens to interest rates as you lend money for longer and longer periods. Intuitively, you would think that a longer-term loan would command a higher interest rate than a short-term one. That sort of upwards-sloping yield curve is what we've got now.

But it wasn't what we had before Britain left the ERM. Short-term rates, which are set by the government, were very high to keep footloose funds in sterling; long-term rates, which are set by investors, were lower – though still high in real terms.

Now, the shape of the curve has *completely changed. Short-term* rates have fallen; longer-term rates have risen slightly to reflect the higher risk of inflation now that Britain is no longer anchored to the D-Mark. The main chart shows the periods in the recent past when the UK had an upward-sloping yield curve. There are two: the early 1980s, and 18 months in 1987-88.

In principle, a downward-sloping yield curve chokes off longer-term investment (both in factories and in *longer-term securities) because it* makes it more attractive to keep your money in cash in a building society than in anything else. An upward-sloping yield curve may – if the slope is steep enough – produce a stampede out of cash and into shares, long-term bonds and anything else which promises a significant return.

That factor has underpinned the US stock market for most of the past year, at levels that look pricey by historical standards. It may start to have a similar effect in the UK, too – though Mr Sushil Wadhwani of Goldman Sachs says that the impact of an upward-sloping yield curve is less pronounced in Britain, because it has a different investment communities.

None the less, since the devaluation and the interest rate cuts, the *stock market has risen sharply,* with a particularly big jump this week as it digested John Major's commitment to growth. The analysts have a tool for exploring what *the level of share prices is saying* about expectations for growth. It is an equation which attempts to establish the way dividends on shares relate to the interest payment the government makes on the gilt-edged securities that make up the national debt.

Gilts pay a fixed rate of interest; equities pay dividends which are expected to grow over time. If you divide the dividend you get on each share by the price you have to pay to buy it, you get a figure known as the dividend yield. Similarly, if you divide the annual interest payments on a gilt-edged security by the current price of that security, you get the yield on gilts.

Dividends, unlike interest on gilts, go up and down; and companies can go bankrupt. So a rational investor, in choosing between gilts and equities would take into account not merely the yields on *the two sorts of paper, but also how* dividends would be likely to rise in future and what the risk is of dividends shrinking or disappearing altogether.

That is spelt out in the analysts' formula: the yield on gilts is equal to the dividend yield on equities *plus* the expected growth rate in those dividends *minus* the risk premium required to hold equities rather than gilts.

We know what some of those elements are immediately, just by looking at the statistics pages of the *FT*. The yield on medium-term gilts is just under 9 per cent. The dividend yield on the FT-Actuaries All-Share index is just over 4½ per cent. That leaves two gaps: the expected growth rate of dividends and the equity risk premium. The second of these is something that analysts spend hours trying to establish, by looking back over long periods of history. The consensus is that it varies between about 1 per cent and about six per cent. In the short term, it goes up and down like a yo-yo, depending on the collective *mood of investors. Let's assume,* though, that it's currently close to its 3 per cent average.

Plug these numbers into our formula, and we get something like *this:*

9 = 4½ *plus* the expected growth rate of dividends *minus* 3. That enables us to calculate the trend growth in dividends the market is expecting: 7½ per cent per year.

The markets are expecting an economy that grows at a long-term rate of about 2½ per cent

So what? Well, the growth in dividends is itself composed of two different things: real growth and inflation. The existence of index-linked gilts allows us to calculate the level of inflation the market is expecting. If you regard the yield on index-linked gilts as the real rate of inter*est, then you can subtract that from* the yield on conventional gilts to get the expected inflation rate. As the chart shows, this has picked up a bit since devaluation, and is now *just over 5 per cent.*

Subtract that from the 7½ per cent figure, and you get an implicit expectation of a real growth in dividends of 2¼ per cent a year.

That may sound a figure of interest only to coupon-clippers, but in fact it's the best indicator of what the market thinks about the long-term economic outlook. Dividend growth is closely linked, over the long-term, with the real growth of the economy.

So that's what the markets are expecting: an economy that grows at a long-term rate of around 2¼ per cent, with inflation of 5 per cent a year.

That sounds plausible enough, and reasonably familiar: it's how the UK has looked for most of the post-war period. But looking more closely at the way those numbers work is not quite so cosy.

Take, for example, a possible set of *assumptions suggested by* Mr Robin Aspinall, of the stockbrokers Panmure Gordon. Suppose that the UK is entering a slow-growth world, in which we cannot expect real dividend growth to be as high as 2¼ per cent. In any case, British companies have been arguably paying out too much in dividends, by historical and international standards, and need a period of holding them down to get their balance sheets back to normal.

And in a slow-growth world, the 5 *per cent inflation* expectation may also prove too high. Suppose that demand is so depressed worldwide that even an inflationary economy like the UK is unable to generate more than 3 per cent *inflation* over the medium term.

Putting those assumptions into the equation leads you – if gilts are still yielding 9 per cent – to a dividend yield of 7 per cent. Arithmetically, that implies a stock market 40 *per cent lower* than it is today. But of course, in that sort of environment, gilt yields would not stay at 9 per cent; assume they drop to perhaps 7 per cent. That would give *you a 5 per cent dividend yield* again, but it would make stocks much less attractive than gilts as a place to put your money.

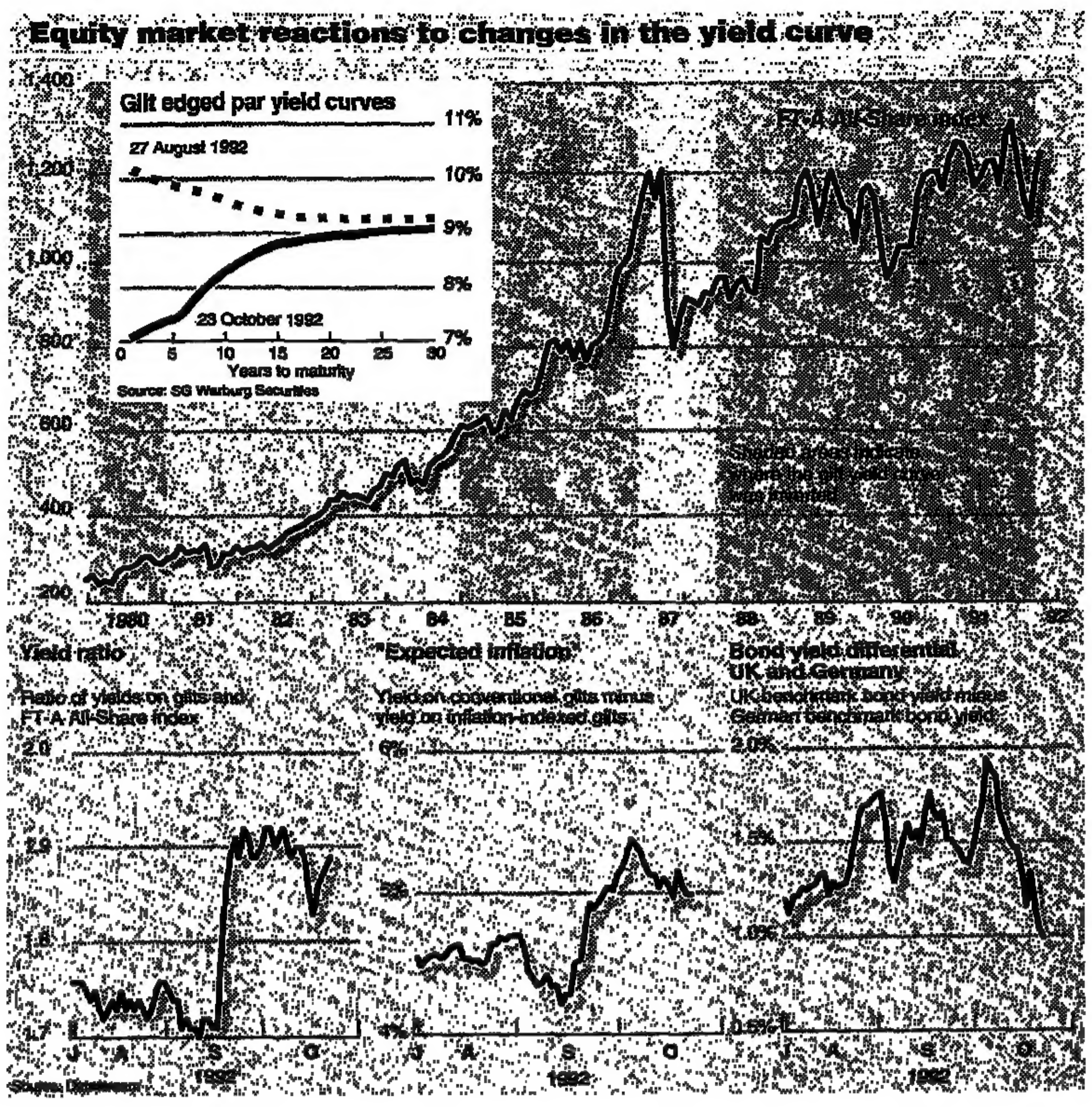
That's the pessimistic case. You can use the same sort of numbers to draw much more optimistic conclusions, however. Suppose that gilt yields come down anyway, as the markets adjust to the reduced risk of inflation, and borrowers at the long end switch to cheaper, short-term money, reducing demand and pushing *long-term* yields lower.

If gilt yields drop to, say, 8 per cent, and all the other elements in the equation stay the same, then dividend yields will drop to 4 per cent – which implies a 20 *per cent* rise *in the stock market.*

Much hangs on gilt yields, in other words. What will happen to them? One influence will be the behaviour of short-term rates. The current state of the interest-rate futures market suggests that investors are expecting *shorter-term* interest rates to be around 6¼ per cent within three to six months. US experience, as Mr Wadhwani says, suggests that a drop in short-term rates eventually *tugs the whole* yield curve down; if that happens here, gilt yields will eventually move down in sympathy with the short end of the market.

On the other hand, says Mr Paul Walton of James Capel, there are two worrying upward pressures on gilt yields. One is the government's need to borrow; the second is the historic relationship with German bond yields. The last time the pound was floating and there was a *public-sector deficit*, in the early to mid-1980s, the spread between the two rates was close to 4 percentage points. Today, it is just over 1 percentage point, the sort of level that prevailed when Britain was firmly locked into the ERM. If the spread rises back towards past levels, with German bond yields unlikely to drop below 6 per cent, then it is *hard to see gilt yields falling much.* Which makes it more important that companies deliver the 2¼ per cent real dividend growth implied by today's numbers. Will they be able to?

Perhaps the most striking conclusion to draw from this exercise is that the market seems to be expecting the world to go back to the way it was before Britain joined the ERM and Germany was reunified. That's a perfectly plausible future, of course: it's just that it may not be the right one.



BACKBENCHERS IN THE NEWS: ***1922 Committee***

Down-to-earth Tory voices

If an extra-terrestrial *were to* land on your lawn this weekend and say, as ETs always do, "Take me to your leader," you would not, I am sure, make the mistake of directing it to Number 10 Downing Street. FT readers are too astute for that. Any one of them *would point the way to Sir Marcus* Fox, chairman of the 1922 committee of Conservative backbenchers.

This would pay off. A visitor from another world would feel instantly at home in the '22, especially one accustomed to time-travel. Is Dame Jill Knight of this decade? Is the bewhiskered Sir Rhodes Boyson of this century? The committee's origins, too, are disputed. The conventional account is that disgruntled Tory aliens met at the Carlton Club *70 years ago, to hear Stanley Bal*dwin rally them in opposition to the coalition led by Lloyd George. The latter was quickly disposed of. Another view, rehearsed in a letter *to the Daily Telegraph yesterday,* is that the 111 new Tory MPs elected in November 1922 came together in April 1923 to overcome their handicap of parliamentary inexperience.

What is clear today *is that* the committee now exercises more power over the government than the prime minister can have bargained for when he won the election with what *at the time seemed like* a good working majority of 21. It was Sir Marcus who, with a word, intimated that Mr David Mellor had to go; Sir Marcus who, with a phrase, intimated that after Black Wednesday the government had better pull its socks up; and Sir Marcus who pronounced (backed up by his some of his fellow committee-members) that the original plan to close 31 coal-mines was "unacceptable".

Only 11 backbenchers need to vote against a government motion *to defeat it. When the Tories are in* opposition every one of their MPs belongs to the committee. When, as is usually the case, the Tories form the administration, the 1922 is made up of the party's backbenchers. They elect an executive of 18. In May cunning manoeuvres by the Conservative right placed many of their own on this executive. These range from Sir George Gardiner, the veteran Thatcherite and leader of the 92 group of right-wing MPs, and Sir Peter Hordern, a long-standing monetarist, to the more populist Sir Rhodes and Dame Jill. Many of the 61 first-time Tory MPs among the conservatives are natural Thatcherites; they regard the '22 *as one* weapon in their war of attrition against ministers who, as they see it, are betraying the former prime minister. The over-representation of the right on the executive derives in part from its feeling of being under-represented in the cabinet.

In the current febrile atmosphere of Conservative politics this can be taken to great lengths. Backbenchers opposed to the bill to ratify the Maastricht treaty turned up in force at Thursday night's meeting, outnumbering middle-of-the-roaders who rarely attend. The result was reports yesterday suggesting that Sir Marcus and his troops wanted to postpone further consideration of the bill. Talk of delay suggests no real wish to unseat the party leader. Loyalty is still a powerful element in Tory thinking.

What has also changed is the way in which the 1922 executive reflects opinion. Sir Marcus was elected in May on the platform of raising the committee's profile and speaking out on behalf of ordinary MPs. Sir Cranley Onslow, the chairman since 1984, found that his taciturnity and loyalty to the leadership were not popular enough. The chairman traditionally has direct access to both the prime minister and the chief whip, to whom he regularly reports on the mood of the troops.

Sir Marcus's open and televisual approach has created tensions within the executive. The arrival of sound-bite politics in the traditionally *discreet* area of *internal* party management has not gone down well in all quarters. Some of the '22s more traditional members complain that their chairman has taken to leading backbench *opinion* instead of reflecting it. One commented that it was not necessarily only the government which got out of touch during the long summer recess.

The average age of the executive is just over 60, higher than that of the government. Twelve are knights, and one is a Dame. None of the 18 has been in the cabinet, though half of them have formerly been ministers, and four have been whips. Others have worked their way up through the Byzantine structure of parliamentary committees. Many of them have experienced life in opposition. They recall vividly the devices to which a party *with a small majority can be driven.* Sir Marcus and his two vice-chairmen have between them 70 years in the Commons. It has been time spent chatting to colleagues rather *than sweeping into Westminster in* a ministerial car.

But not even Sir Marcus is unassailable. Four years away from the next election, the committee's ability to warn the *government publicly* that policies need changing is working well enough in terms of keeping the party together if not in contributing to Mr Major's cheerfulness. *By 1996-97, it will have to show that* it knows how to be publicly loyal as well, perhaps even to unpopular policies which are too late to alter. To fulfil that role the junta that took power in May will have to come down to earth.

Alison Smith

Old Lady's slip shows

Robert Peston on the flaws in UK banking supervision

Bank regulation is the art of shutting stable doors after the horse has bolted.

This aphorism was used yesterday by Sir George Blunden, the former deputy governor of the Bank of England. What he meant was that new laws and supervisory practices are always introduced *after* a banking scandal has taken place, never in time to prevent a scandal.

Thus on Thursday the Bank of England and the Treasury announced amendments to the 1987 Banking Act and the creation of specialist legal and investigative units at the Bank to prevent the repetition of a fraud similar to that uncovered at the Bank of Credit and Commerce International, the international bank which was closed in July 1991.

The likelihood of there being another BCCI-style fraud is small, however. The breathtaking magnitude of BCCI's corruption was only possible because the bank operated in a vast number of different countries, each of whose regulators only had responsibility for monitoring a tiny piece in the BCCI jigsaw.

Over the past few years, bank regulators have begun to act more in concert in monitoring international banks – and this co-ordinated approach to supervision has been reinforced recently by a new agreement between regulators of the leading industrial countries who are members of the Basle Committee on Banking Supervision.

But there is always another banking disaster waiting around the corner, one that the regulators never dreamed could happen and therefore could take no precautions against. Regulation only comes after unforeseen events.

The Bank of England only adopted its regulatory role after the secondary banking crisis of 1973, when a raft of new financial institutions borrowed from the big clearing banks and then used the funds to make property loans. When the property market collapsed, the financial system itself was threatened.

By 1979 the Bank had sufficient monitoring powers to ensure that banks in general could be prevented from acquiring excessive exposures to a particular market. But it still lacked the resources and the appropriate legal framework to keep a close watch on individual banks.

So when Johnson Matthey Bank had to be rescued by the Bank in 1984 – after JMB made imprudently large loans – the Bank acquired yet more powers in the 1987 Banking Act. Both the government and the Bank felt that the explicit responsibilities of the Bank had to be codified and extended.

Sir George says, with only a hint of facetiousness, that there is an unstoppable cycle in banking collapses and that the next calamity will happen in "five or six years".

If he is right, correcting the shortcomings identified by Lord Justice Bingham in his report will not prevent the next crisis. Sir George is one of the few officals to emerge with any credit from the report, which details the Bank's inept attempts to keep BCCI sound.

Lord Bingham cites two occasions – in 1987 and in 1989 – when Sir George urged other Bank officials to force BCCI to incorporate its UK operations. The effect would have been to give greater responsibility for monitoring BCCI's activities to the Bank. Had Sir George's advice been followed, the fraud at BCCI might have been detected earlier and losses eventually suffered by thousands of depositors might have been reduced.

Unfortunately, Sir George was a lone voice in the wilderness – and anyway cannot escape his share of the collective responsibility, having been associated with supervision since 1974.

The Bingham report cites ineptitude and negligence by Bank officials on widespread scale. The report says Bank officials did not understand their powers, or their responsibilities to intervene in BCCI's affairs under the 1979 Banking Act. Their consistent response for more than a decade to the growing complexity of BCCI's operations – and to a series of allegations that it was involved in fraud – was to shy away from supervising it more closely, for fear that the job was simply to big and complex.

They preferred to follow the letter, rather than the spirit, of international agreements between bank regulators, and therefore ceded the primary responsibility for monitoring BCCI to the Luxembourg authorities, despite the authorities' insistence that the Bank was far better placed to do the job properly.

The report indicates that the Bank passed the buck for taking supervisory responsibility for BCCI whenever possible. On several occasions, allegations of fraud were left to the police to investigate, or ignored by officials altogether.

One of the most damaging repercussions from the report's criticisms may be to undermine the Bank's moral authority in the City. It will be less able to command respect after Lord Bingham's portrait of it as feeble, so any residual hope that financial practitioners will feel responsible for following the spirit of City of London laws and codes must be commensurately reduced.

Sir George draws the lesson from the BCCI saga that "regulators are good at dealing with people wanting to be proper bankers – they are not good at dealing with fraud". But Lord Bingham does not recommend that the Bank's traditional technique of supervision, which is based on trust and willingness on the part of bankers to co-operate, should be changed fundamentally.

This system is relatively cheap to operate and has worked well in preventing severe financial difficulties at most banks. The more interventionist and aggressive US model of banking supervision carried out a range of institutions has been rejected. It requires the employment of more officials and is thus more expensive to operate.

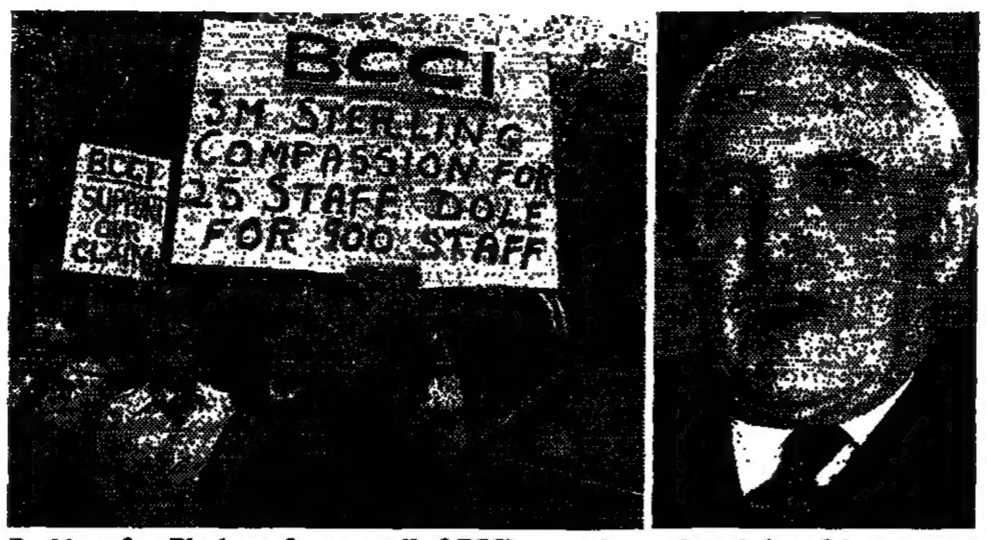
Though the Bank of England is unlikely to be as remiss in the future supervision of a bank as it was in the case of BCCI, there is a hidden cost in the UK supervisory approach, which falls on bank customers.

Periodically, the Bank's trust in bankers proves misplaced, with the result that a bank may collapse, leading to losses for its customers of the uninsured portion (75 per cent up to a maximum of £15,000) of their deposits (in the US, deposit insurance in effect covers all deposits).

The justification for imposing this risk on bank customers is that they will put pressure on banks to behave prudently, because they will only place their funds with soundly managed banks.

However, it is impossible for customers to know for certain that a bank is sound. Even the most ostensibly conservative of banks can run into difficulties. Adam Bank, a small, private bank managed along prudent lines, recently had to be rescued when all its capital was wiped out by £21m currency losses incurred by three dealers operating outside the bank's normal rules.

So depositors may be tempted to put all their funds with the big four clearing banks. The repercussions of the collapse of any of them would pose such a risk to the entire financial system that the government and the Bank would not allow them to fail, no matter how poor the service they may offer or their relative inefficiency compared with many smaller banks.



Banking after Bingham: former staff of BCCI protesting against their unfair treatment and, right, Sir George Blundy, a former deputy governor of the Bank of England

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FT writers on how to relieve the rigours of rule

Tensions at the top

Wanted: Men (fewer women can stand the strain these days) to run countries suffering from doldrums and deficits. Ability to withstand depression would be useful. Applicants should be ready for a 16-hour day, punctuated by television debates, budgetary discussions, sandwich lunches to discuss unemployment, and banquets with other leaders in similar predicaments, when interpretors will be available. Experience of dealing with opposition parties and high interest rates essential. The successful candidate may not see his family for long periods unless in the company of a) TV cameraman, b) a policeman c) a divorce lawyer.

The pleasures of governing western industrialised countries have seldom appeared more scant. Few presidents and prime ministers in recent weeks have been free from the strain of economic woes or electoral misfortune. Leaders react to the stress in different ways – and some seem to beat it much better than others.

President Mitterrand likes to emphasise inner calm by never wearing a wrist watch. This is a sign, some amateur psychologists argue, of a tranquil and self-sufficient turn of mind (or simply, others say, of lack of consideration for keeping people waiting). Mr Carl Bildt, the Swedish prime minister, has been up all night on several recent occasions hammering out austerity programmes to save the krona. But since the Bildts – who live in a small central Stockholm apartment – have a one-year old baby, he says he is used to disturbed nights.

Mr George Bush indulges in frenzied pursuit of leisure, completing a round of golf in less than two hours, or pursuing fish in a cigar-shaped powerboat off the coast of Maine. He was rewarded this week by seeing the local newspaper in the township of Kennebunkport, where he has a holiday home, endorsing the Democrats for the first time.

Mr John Major is far from being a nervous wreck, as some UK newspapers this week have tried to depict him. But the British prime minister – whose predilection for junk food pre-dates his accession to the highest office – looks thinner than when he won the general election in April. Well before the general election, aides admitted that he found his cramped Whitehall living quarters wearisome. After six weeks of working 18 hours a day, the prime minister is tired and sometimes irritable. Yet those who have spoken to him this week have been impressed above all by Mr Major's sombre determination.

One leader who, for all his travails, has not lost his appetite is Mr Helmut Kohl. Since unification two years ago, the German chancellor has taken an almost other-worldly approach to his country's problems, refusing to attend to questions of detail. "He likes to tell people: 'Get on with it,'" said one aide yesterday. Mr Kohl can most easily relax over a bottle of wine and a plate of Saumagen, or stuffed pig's belly – the Rhineland equivalent of Scottish haggis. His ability to devour real haggis impressed his Scottish hosts during a visit to Edinburgh last year.

Every year, he takes a two-week spring break at a health resort to cut his 17-stone bulk, and then rapidly puts on weight again. Mr Kohl conscientiously declined all but a morsel of the main course during one recent dinner. Afterwards, he wolfed down a dozen apples in 15 minutes to still his hunger.

Mr Kohl's colleagues are driven close to distraction by his beatific optimism. One way that Mr Kohl escapes stress is through an extraordinary capacity to cat-nap whenever he needs it – in aircraft and cars, even in helicopters – and then wake up, capable of instantly focussing on the next problem. For all his unruffled appearance, Mr Kohl can show extreme over-sensitivity. If he has taken any lessons in withstanding the rigours of office, he seems to have absorbed them from Mr Mitterrand.

After his operation for cancer of the prostate gland last month, the French president is approaching his 76th birthday on Monday with Sphinx-like impassiveness.

The president likes where possible to repair to his appartment in the rue de Bièvre, near Nôtre Dame cathedral on the south bank of the Seine. He takes a daily after-lunch walk in the streets around the Elysée palace and plays golf on Mondays, often with his friend Mr André Rousselet, chairman of the Canal Plus pay television station, at the prestigious Golf de Saint-Cloud, west of Paris. The club is unable to divulge his handicap.

Visitors to an honours-giving ceremony at the Elysée on Wednesday evening recount that the president was cheerful and alert. Without using notes, he was able to make short but apt personal speeches to each of the recipients of decorations.

Like Mr Mitterrand, Spanish prime minister Felipe Gonzalez – favourite bedside reading: Don Qixote – likes to go walking to get away from it all. He spends his summer holidays deep in the marshy wilds of the Coto Doñana national park by the southern tip of Spain or, rod in hand, on a fishing smack in the straights of Gibraltar. He has dug a cabbage plot in the gardens of his official residence, the Palacio de la Moncloa. Lately, Mr Gonzalez has developed a passion for cultivating bonsais. He can sometimes disappear at weekends to tramp the sierras of Castille in search of incipient saplings that might be added to his mini-tree collection.

The champion in standing up to pressure is Prof Giuliano Amato, Italy's Socialist 54-year-old prime minister, who has battled with four months of crisis. Most evenings he returns home exhausted between 1.00 and 1.30 am and goes almost straight to sleep before waking at around 6 am. Even with his rational academic's mind, he admits he often wakes early "with all the problems crowding in on me and reaching right to the stomach".

On the few occasions he can relax, Mr Amato likes to stay at home with his wife, Diana, listen to Mahler records and read. He still likes to pretend he can lead a private life. On the weekend after Italy's devaluation last month, he gave the slip to his bodyguards and stood in line at a cinema to see "Americans". For world leaders trying to escape the pains of office, the best remedy is to try to behave like everyone else.

Contributors: Tom Burns, William Dawkins, Robert Graham, David Marsh, Jurek Martin, Quentin Peel, Philip Stephens and Robert Taylor

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Banking excellence needs to be more convincing

From Richard Simmonds MEP.

Sir, I receive many lobbies asking me to promote the excellence of the City of London and to help establish its position as the banking and financial centre of the European Community.

During the past week, I sought to change into sterling BFr 50,000, through one of Britain's high street banks. With a mid-point between buy and sell of almost BFr 50 to the pound, this bank, of which I have been a customer for 30 years, offered me £912.17. With the same mid-point, a Belgian bank offered me £970.0.

If this is typical of British bank practice, I need to be re-convinced before promoting its excellence.

Richard Simmonds,
Woodlands Farm,
Cookham Dean,
Maidenhead,
Berkshire SL6 9PL

Pit calculations ignore damage to confidence in economy

From Dr Stefan Szymanski.

Sir, Andrew Glyn's letter (October 20) represents the first clear statement of the cost-benefit calculation involved in shutting down the 31 pits. He states that the 31 mines produce annually 30m tonnes at a production cost of £40 per tonne when the world market price is £30 per tonne. Hence the opportunity cost of keeping the pits open is £300m per year. Using a real interest rate of 5 per cent, this implies that the cost of keeping the pits open is £6bn in present value terms. He then states that the cost of closure is £1,320m in the first year and a recurrent annual cost of £600m per year thereafter, so long as the redundant miners remain wholly unemployed.

By this reckoning, the redundant miners could spend up to twelve full years in unemployment and still the present value of the cost of closure would be less than the cost of keeping them open. Only if the redundant workers remained wholly unemployed for 13 or more years would it be cheaper to keep the pits open.

These calculations ignore the unquantifiable damage to confidence in the economy caused by announcing closures in the middle of a recession and possible knock-on effects in other parts of the economy. They assume the gap between the production cost and the market price does not change and they also do not attempt to put a value on the personal consequences to miners and their families of abandoning mining.

However, they do represent the basis on which any well managed business would make the decision. This has nothing to do with the price of gas, the government's cowardly reliance on the choices of a rigged market or bogus appeals to a nebulous national interest.

Stefan Szymanski,
assistant professor of economics,
London Business School,
Sussex Place,
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London NW1 4SA

Growing support for increases in aid

From Mr Ben Jackson.

Sir, Just two points to add to your excellent leader stressing "Aid Matters" (22 October).

First, since Monday the parliamentary ground swell against cutting Britain's overseas aid budget has grown still further; 37 Conservative MPs have now signed the World Development Movement-sponsored letter to the chancellor calling on him to, at least, maintain the small planned increases in aid set out in last year's Autumn Statement.

As the government defines its "go for growth" strategy, ministers would do well to reflect not only on the compelling humanitarian arguments for aid, but also the business, exports and jobs aid secures for Britain.

Second, you rightly highlight the crippling effect of the Multi- Fibre Arrangement (MFA) on developing countries, for whom clothing and textiles make up a quarter of all manufactured exports. Unnoticed by many, earlier this month the Council of Ministers decided to roll over the EC's system of MFA restrictions for yet another year, pending a General Agreement on Tariffs and Trade deal.

With now little prospect of a GATT settlement, there is no excuse for the EC not to agree to start phasing out its discriminatory textile quotas against the Third World.

Ben Jackson,
campaigns co-ordinator,
World Development Movement,
25 Beehive Place,
London SW9 7QR

Responsible lending

From Mr Steven T Slaughter.

Sir, It seems a very odd response to a problem created by lending too much, to permit even more to be lent ("Borrowing rule change for housing market", October 21).

It may be the expedient answer in the present situation – expedient for the lenders, that is – but unless it is made impossible in the future for lenders to look beyond the value of the property for repayment, the problem will persist.

It is naive but understandable that borrowers rely for advice on those in whose interest it is to lend the maximum. If liability is limited to the value of the mortgaged property, lenders will take their position more responsibly.

Steven T Slaughter,
Henfield Place,
Henfield, Sussex BN5 9PH

Myth and whimsey surrounding VAT and food

From Mr Michael Poynor.

Sir, The debate in your pages on VAT, which prompts Mr Ben Patterson to write to you (Letters, October 22), is in danger of perpetuating the widely believed myth that food in Britain is zero-rated.

Although you refer, in one of the articles he mentions ("VAT headache", October 13), to the zero-rating of "many" rather than "all" foods, I suspect very few of your readers realise that in their average spend at a superstore, having excluded all non-food purchases, they will have paid about 6 per cent VAT. British consumers were seriously misled by the stirring Europhobic tones of Mrs Thatcher when she said "I shall never put VAT on food!" They would be amazed by the reality as the table shows.

The list is endless. Perhaps the most whimsical decision relates to frozen yoghurt: if it requires defrosting before eating it is zero-rated but if it can be spooned when frozen it bears VAT at 17.5 per cent.

The consistency and the logic of the current system could have been devised by Lewis Carroll. We should recognise the reality of the situation and – like the French with their 5.5 per cent VAT on all food – apply a uniform rate. The processes of harmonisation are not helped by our arcane habits.

Michael Poynor,
63 Lant Street,
London SE1 1QN

VAT at 17.5%	Zero-rated
Juice	freshly-squeezed orange juice
Laxative teas	herbal teas
Sea salt	fine salt
Pet food	animal feeding stuffs
Sugar-coated fruits	toffee apples
Savoury popcorn	savoury biscuits

Echoes of Keynes in arguments over support for over-valued exchange rate

From Dr Richard Coghlan.

Sir, Peter Martin ("Troubling memories of the 1930s", October 17) refers to John Maynard Keynes' concern about the impact of external economic conditions on the domestic economy, and provides a quote that could have come from Norman Lamont's current issue of "Popular Economic Dilemmas".

Particularly apposite is the reference to external depression (read recession) which, in this case, the Bundesbank is inflicting on Germany and the rest of Europe. Many argue that Britain should never have broken ranks, and should suffer the same, or worse, consequences. No matter the policy prescriptions of the Bundesbank are inappropriate for the circumstances.

In Keynes' *The General Theory*, the ghosts of the past haunt the present: "...the City of London gradually devised the most dangerous technique for the maintenance of equilibrium which can possibly be imagined, namely, the technique of bank rate coupled with a rigid parity of the foreign exchanges. For this meant that the objective of maintaining a domestic rate of interest consistent with full employment, was wholly ruled out. Since, in practice, it is impossible to neglect the balance of payments, a means of controlling it was evolved which, instead of protecting the domestic rate of interest, sacrificed it to the operation of blind forces. Recently, practical bankers in London have learnt much, and one can almost hope that in Great Britain the technique of bank rate will never be used again to protect the foreign balance in conditions in which it is likely to cause unemployment at home."

There are good reasons to justify support for a fairly-valued, but not over-valued, exchange rate. Transitional costs will be incurred in moving from one level to another, but these will be less than those suffered by trying to beat down domestic costs to compensate for lack of competitiveness. The way to support an over-valued exchange rate is to maintain relatively high interest rates, or manage policy so as to force economic growth below its long-term potential. Keynes believed these costs were unnecessary and unacceptable; he was right.

Richard Coghlan,
Strategic Investment Services,
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Wayne PA 19087, USA

COMPANY NEWS: UK

Hanson hits out at RHM demerger plan

By Maggie Urry

HANSON condemned Ranks Hovis McDougall's demerger plan as "ill-conceived" and attacked the milling, baking and grocery company's record in the offer document it posted to its target's shareholders yesterday.

RHM again urged its shareholders to reject the offer.

The terms, 220p in cash for the ordinary shares and par for the preference shares, values the whole company at £790m.

In a letter to RHM shareholders Lord Hanson, chairman of the Anglo-American conglomerate, said: "Your board's defensive proposal to break up your company has confirmed our view that change is required." He continued that "the split would create three companies of much less significance, with an uncertain future and uncertain values."

Mr Derek Bonham, chief executive of Hanson, said the management of the three parts would be unchanged. "What is going to happen to deliver value to shareholders?" he asked.

He said the milling and baking division had failed to do anything about the changing trends in that market. In the grocery products side it was "difficult to see a rational approach to the management of a brand portfolio".

Hanson's brand management skills were displayed in its Imperial Tobacco cigarette business and its Seven Seas vitamin subsidiary.

RHM riposted, saying: "Hanson is well known as a purchaser of businesses at below their true value and is trying to do the same with RHM".

Mr Stanley Metcalfe, chairman of RHM, said: "Hanson's document ignores the fact that the offer price sits 27p below the current market price of 247p". During the day RHM shares rose 2p to 249p, and Hanson shares were 1p higher at 233p.

Hanson's document says that RHM's earnings per share record since 1988 is worse than other leading competitors. Its share price has underperformed the stock market and the food manufacturing sector since the 465p offer from Goodman Fielder Wattie was rejected in 1988.

It contrasted statements by RHM management about expansion and acquisition plans with subsequent disposals. For example, in 1988 RHM paid £80m for the Shredded Wheat breakfast cereal business and said it was part of a plan to grow a strong breakfast cereal business.

Within two years RHM had sold all its breakfast cereal interests.

Hanson also said the demerger plan was complex, lengthy and uncertain while its cash bid offered certainty.

Dalgety said yesterday that Federal Bakeries, the business it sold to RHM a week ago for up to £28m, including debt repayment, had net assets of £14m and made a trading profit of £2m in the year to the end of June.

RHM now has two weeks to produce a defence document. Hanson's offer could run until December 22, or longer if there is a rival bid, but the first closing date has been set at November 13.

Crown Comms suspended as refinancing talks begin

By Angus Foster

SHARES in Crown Communications, owner of the LBC radio station, were suspended at 6p yesterday after the company entered negotiations with its banks about a refinancing.

The company is seeking to convert a high amount of its roughly £15m net borrowings into equity, to be held either by its bankers or new investors.

"We are looking at a combination of a number of things, part of which would be debt conversion," according to Mr David Whitaker, finance director.

Crown has been in financial trouble for some time, and reported losses of £5.58m in the six months to March 31, on top of losses of £6.79m in the previous year.

The company has been disposing of non-core assets. LBC, which lost £300,000 in the half year, is set to "at least break even and perhaps make a profit" this month, said Mr Whitaker.

Share suspensions and talk of refinancings are often the last alternatives when banks are threatening to withdraw support for companies. But Crown's advisers remained optimistic. "It's not all gloom," one said.

A spokeswoman for the Radio Authority, the UK's commercial radio watchdog, said Crown's situation was being monitored but LBC can continue to broadcast as long as it complies with its licence and pays its licence fee. LBC's licence is due to expire at the end of 1994 and will be re-advertised from March next year.

Crown is also waiting to hear if a new set of proposals to sell some of its stake in a loss-making French radio network have been approved by the French authorities. Earlier proposals to sell some of the stake were rejected by the CSA, the French radio authority.

Crown is now seeking to sell down its effective stake from 49 per cent to 19 per cent. Mr Alain Ayache, a controversial right-of-centre magazine publisher, is believed to be buying some of the shares.

Nil pay-out for D&N shareholders

By Daniel Green

SHAREHOLDERS in Davies & Newman will get nothing from yesterday's sale of the company's Dan-Air subsidiary to BA. Nor will they get to vote on the deal, even though they stumped up £49.3m in a rights issue a year ago to try to keep the group afloat.

Davies & Newman secured Stock Exchange approval to avoid the need for shareholder approval "on the basis of time constraints and the fact that the proposed transaction represents the sole alternative to receivership".

Shareholders could band together to call an extraordinary general meeting. Fund managers contacted yesterday said they had not yet decided whether to do this.

Provided the deal goes ahead, the board of Davies & Newman will propose that the company be wound up.

Creditors will fare far better than shareholders: all will have their bills paid. That includes £43m for trade creditors such as caterers and fuel companies, £12m-£13m of bank loans and £17m-£18m for loans secured on Davies & Newman's assets.

As well as paying off these liabilities, British Airways will take on the costs of rationalisation. These include redundancy payments for all but the 400-600 of Dan-Air's 1,990 permanent employees. It also employs 400 temporary staff.

BA will offer jobs at reduced salaries to the staff it keeps. It will also pay any penalties associated with the early return of four leased British Aerospace 146 aircraft and write-off the value of seven obsolete Boeing 727 aircraft.

"The [inefficient] 727s were the cause of very significant erosion of margins," said Mr David James, the company doctor in charge of Dan-Air, yesterday. "Their disposal is a hit on the balance sheet which Dan-Air could not have afforded."

BA estimates that it will have to make a provision of about £35m in the second half of its 1992 accounts to cover the costs of the acquisition. This figure would have been higher if the deal had been struck at almost any other time of the year because in October airlines are flush with cash from the busy summer season.

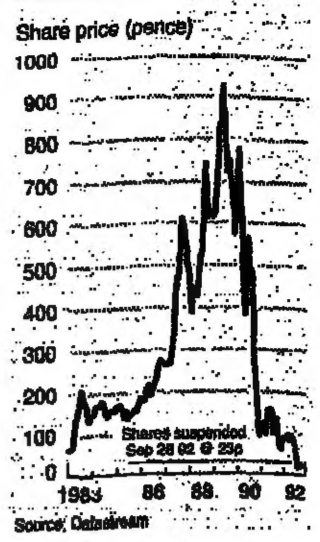
In return for the £35m, BA acquires 12 relatively new Boeing 737s and the business of the largest airline operator at Gatwick airport. It will close the charter services, switching stranded passengers to other flights.

Of Dan-Air's scheduled services to 28 destinations in western Europe only 12 will be retained by BA. Tickets will be honoured by other airlines.

BA will be able to trim costs by servicing some of the remaining aircraft with BA engineering staff.

BA says the rump of Dan-Air will continue to lose money through the winter season.

Davies & Newman



Source: Datastream

Late next financial year the deal will show significant benefits to BA, said Sir Colin Marshall, its chief executive.

Flying into a storm of competitor protest

Paul Betts reports on the fears resulting from BA's acquisition of Dan-Air

BRITISH AIRWAYS yesterday sparked off a furious controversy over the future of competition in the UK airline industry by acquiring Dan-Air, the financially troubled Gatwick-based carrier, for a nominal £1.

Smaller UK carriers warned that the deal would severely undermine the government's multi-airline policy, designed to promote competition in the industry, by further strengthening BA's stranglehold of the market.

By far the most theatrical reaction came from Mr Richard Branson, the Virgin chairman, who announced he was launching a new short-haul carrier Virgin European Airways to compete against BA. His own rescue proposals for Dan-Air were abandoned ten days ago.

He has already applied to the Civil Aviation Authority for licences and slots to fly from London to Paris, Brussels and a number of other European destinations.

But Mr Branson said the new venture could only take off "if the government now reviews competition amongst British airlines and slots at Heathrow and Gatwick which are two of the world's busiest airports".

Echoing calls from all the other UK independent carriers for a detailed investigation by the Monopolies and Mergers Commission of the acquisition, Mr Branson said: "If there is no intervention, then competition will suffer, the consumer will suffer and we will not see a flourishing multi-airline industry."

The other independent carriers with scheduled services, including British Midland and Air UK, have been especially worried by suggestions that the BA deal has already received tacit approval from the authorities anxious to avoid the complete collapse of another UK airline two years after the failure of Air Europe, Dan-Air's former Gatwick competitor.

All have called for a MMC investigation and some have already written to the Office of Fair Trading. Sir Michael Bishop, chairman of British Midland, said he had already complained to the UK and European Commission authorities.

"A deal like this one simply cannot be waved through," said Mr Andrew Grey, Air UK's managing director.

But Sir Colin Marshall, BA's chief executive, warned yesterday that BA would not go through with the deal if it were forced to give up routes or slots. The deal would also be threatened if it faced long regulatory hurdles.

Both Sir Colin and Mr David James, the company doctor who has been running Dan-Air, said the alternative to the BA acquisition would have been bankruptcy.

BA is planning to create at Gatwick a new, low cost short haul airline, operating 11 Dan-Air Gatwick routes using 12 Boeing 737 airliners as well as the existing 10 BA Gatwick short-haul routes with 10 Boeing 737s. Eventually they would all be under BA livery.

The deal will save about 400 jobs from Dan-Air's present full-time workforce of 2,000, but on lower pay. "That's better than no job at all", said Sir Colin.

In its submission to the OFT, one independent UK carrier notes that the job issue was one of the persuasive arguments in favour of the earlier merger between BA and British Caledonian. But the carrier also argues that the implications of the Dan-Air acquisition are greater than those of the British Caledonian merger.

At the time of the Caledonian deal there were at least two airlines at Gatwick, Dan-Air and Air Europe, capable of providing competition against BA. "Now, so far as European scheduled services are concerned, there is no other competitive force at Gatwick nor is there a prospect that an airline could enter the market in order to provide that force."

BA carried 66.1 per cent of all passengers carried by UK airlines on scheduled services in 1991. At Heathrow it holds 40 per cent of slots, while at Gatwick it holds 15.8 per cent of slots.

Dan-Air only has a handful of slots at Heathrow, but it holds about 23 per cent of slots at Gatwick. After the Dan-Air transaction and the restructuring of its own short haul activities at Gatwick, BA expects to operate about 21 per cent of slots at Gatwick. The deal will see the closure of Dan-Air's charter operations.

But what especially worries its competitors is the fact that BA will be taking over six important Dan-Air routes to Brussels, Paris, Nice, Rome, Toulouse and Zurich on which Dan-Air was the sole carrier out of Gatwick. BA already serves these routes from Heathrow and the Gatwick operations will further reinforce BA's dominance in the market.

For the competitors, the liquidation of Dan-Air would have been preferable. They argue that then there would have been a greater chance that other airlines would enter the market.

But this begs the question of why no other carrier stepped in to the rescue. Even the Labour party said yesterday the BA deal "looks as though it is the best of a bad set of options".

Mr James acknowledged that the short haul business was "a dog of a market" and the only way it could be financed was under the umbrella of a strong organisation. By passing his patient on to BA, the company doctor yesterday was falling in line with the general trend of consolidation in the European airline industry accelerated by the recession and the advent of liberalisation.

"We did not have the pocket," he admitted.

GATWICK MARKET SHARES IN 1991
Per cent share of passengers carried on scheduled services

Airline	Domestic	International	Total
British Airways	43.1	77.8	66.1
British Midland	18.7	5.4	9.9
Air UK	9.5	3.5	5.5
Dan Air	6.2	5.3	5.6
Virgin Atlantic	0.0	4.2	2.8
Other UK carriers	22.4	3.8	10.1

Source: CAA

End of a tale: Dan-Air planes await their fate at Gatwick

Dorling Kindersley gets £102m flotation tag

By Andrew Bolger

SHARES in Dorling Kindersley Holdings, the international publishing group, were yesterday priced at 165p, giving the group a value at flotation of £101.7m.

Strong demand for the shares has caused the proportion of the 19.15m shares on offer, which will be firmly placed with financial institutions, to be reduced from 75 per cent to 63.4 per cent. The remaining 36.6 per cent will be provisionally placed, subject to clawback by financial intermediaries for sale to private clients.

The price puts the shares on an historic multiple of 18.1 and a notional historic gross dividend yield of 2.4 per cent. The closing date for application forms from intermediaries is next Wednesday and dealing is expected to begin on Friday.

The issue is being sponsored by Barclays de Zoete Wedd, with Cazenove acting as broker. The flotation will raise £31.6m, of which £26m will be new money for the company.

Staff stop work over appointment at MGN

By Paul Taylor

STAFF AT Mirror Group Newspapers stopped work last night after the company confirmed that Mr David Montgomery, former editor of Today, had been appointed chief executive.

Journalists and other staff on the Daily Mirror, Sunday Mirror and People newspapers said they would refuse to work with Mr Montgomery – who also edited the News of the World, another paper in the Rupert Murdoch stable.

They held a newsroom meeting and said it would continue until they received assurances that his appointment would not take place.

Mr Montgomery was called "a sacker and union buster" by the National Union of Journalists' members who fear he will end the Daily Mirror's traditional support for Labour.

Mr Montgomery's appointment had already prompted Mr Joe Haines, the MGN non-executive director and former political editor, to resign on Thursday night saying the Daily Mirror's future as a left-wing newspaper would be destroyed.

Former Kelt chief wins control of Blystad

By Richard Gourlay

The former chief executive of Kelt Energy, Mr Alastair Locke, has won conclusive control of Blystad, owner of the offshore oil service company, KCA Drilling.

The deal goes into the history books as a rare example of shareholders agreeing to accept unquoted shares in a private company in return for publicly-quoted paper.

Mr Locke said yesterday that his private company, Abbot Holdings, had received acceptances from 75.23 per cent of Blystad shareholders.

The acceptance level means Mr Locke will be able to take the company private or pass any other resolutions at an egm.

Mr Locke already had acceptances from Blystad family directors who controlled 65.2 per cent of the company. Passage to the critical 75 per cent acceptance level was despite opposition from from independent Blystad directors who say the offer is inadequate.

Bank of Ireland Corporate Finance says Abbot's preference share offer values Blystad at £7.5m, or 5.4p. The offer remains open but is unconditional in all respects.

Overseas Investment net asset value lower

Overseas Investment Trust reported net asset value of 268.8p at September 30 down from 279.3p a year earlier.

For the year to the end of September net revenue was £1.34m (£1.25m) for earnings per share of 3.53p (3.3p). An increased final dividend of 2p has been proposed for a total payment of 2.8p (2.5p).

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
♦	F.P.	–	201	180	Chubb Security	189	–2	L2.8	2.9	2.0	20.9
130	F.P.	–	150	140	Linx Printing Techs.	150	+6	L2.6	2.8	2.3	17.9
120	F.P.	–	192	157	♦Tepnel Diagnostics	179	–4	–	–	–	–
120	F.P.	–	133	126	Trinity	133	+2	R5.4	1.9	5.6	12.5
45	F.P.	–	51	47	Vardon	51		bQ.75	5.3	2.0	12.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	110p	105¾p	Fulcrum Inv Tst Zero Div Pf	109¼p	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
78	Nil	10/11	1½pm	1¼pm	Capital Inds.	1¼pm	
17	Nil	18/11	1½pm	½pm	♦EIT	1½pm	
295	Nil	1/12	45pm	39pm	Greenalls	40pm	–3
335	Nil	22/12	52pm	27pm	Wagon Indl.	27pm	–1

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Oct. 12
- Last Dealings Oct. 23
- Last Declarations Jan. 14
- For settlement Jan. 25

3-month call rate indications are shown on page 9.

Calls in: Airtours, Hartstone, ICS, ML Labs., Premier Cons. and Rhino.

Scapa may buy German assets

By Andrew Bolger

Scapa Group, the Blackburn-based company which supplies technical products and services to the paper industry, said it was in talks with the receivers of a German company, F. Oberdorfer, which might lead to Scapa acquiring the business and assets of its German, Austrian and US operations.

Scapa said Oberdorfer, which is based in Heidenheim, was a leading manufacturer of forming fabrics for the paper industry, with an annual turnover of about £12m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bridgend Group ......int	0.2	Jan 8	0.4	-	1.2
GR (Holdings) ......fin	1.6	Dec 17	1.75	27‡	2.15
Jarvis ......int	nil	-	0.25	-	0.575
Morgan Equity ......fin	2.45	-	-	3.45	-
Overseas Inv Tst ......fin	2	Dec 18	1.75	2.8	2.5
Usborne ......int	0.2	Jan 4	0.1	-	0.4
Yorklyde ......int	4	Dec 4	4	-	9.7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Includes special interim of 25p.

Walker Greenbank settles Alkar dispute

By Paul Taylor

WALKER GREENBANK, the wallcoverings group, has reached an out-of-court settlement of its claims against Arthur Young, the group's former auditors, and Mr William Carr and his son, Alan.

The litigation arose from the group's £3.5m acquisition of Alkar, a shop fitting company, from the Carrs in 1987.

The total value of the settlement of the group's claims for damages and costs is worth about £4.6m, including £3.7m in cash which will be used to strengthen the balance sheet.

Walker Greenbank had originally sought £15m in damages and interest. In arriving at the settlement the parties recognised that the costs, length and complexity of the litigation made a commercial solution desirable.

Since the end of July Walker Greenbank has incurred legal and professional charges of about £500,000. Its interim results included a £484,000 extraordinary charge mainly to cover these costs.

As part of the cash element 1.16m Walker Greenbank shares, issued to the Carrs in 1988, which had been frozen since the litigation started, were sold raising about £660,000 which was remitted to the group, together with frozen dividends totalling about £300,000.

In addition the Carrs are writing off £900,000 in loans made to Walker Greenbank. The balance of the settlement will be met by Arthur Young, now part of Ernst & Young, the group's auditors at the time of the acquisition who resigned in January 1989 after accounting irregularities and stock problems in Alkar came to light.

Mr Charles Wightman, Walker Greenbank's chief executive, said the settlement represented a satisfactory conclusion. He added the cash would be used to reduce borrowings to below £2m for gearing of less than 10 per cent.

"Senior management will now be able to concentrate all their efforts on the further successful development of our core businesses," he added.

Receivers in at Harland Simon as talks fail

HARLAND Simon, the control systems company suspended on the stock exchange since last month, has been placed in receivership by its bankers. The joint administrative receivers are Mr Nick Lyle and Mr Roger Powdrill of Touche Ross, writes Angus Foster.

Harland has been negotiating a restructuring and financing levels with its bankers, mainly Barclays, since the share suspension, but the company's proposals have been turned down.

The receivership will hit 20 jobs in the holding company with 800 jobs at stake in the operating subsidiaries.

Harland's problems began in February when it issued a profits warning, leading to a slump in the share price. Following the resignation of chairman Mr Roy Ashman and a decision to sell several subsidiaries, Harland announced pre-tax losses of £6.32m in the year to March 31.

Losses included exceptional provisions of £5.1m to cover bad debts and loss making subsidiaries.

The shares, which traded at 585p in February, had collapsed to 20p when they were suspended.

Yorklyde 30% ahead at £1.4m

Profits of Yorklyde, the cloth and rug maker, improved from £1.06m to £1.37m pre-tax for the six months ended July 31.

The 30 per cent improvement was scored on the back of a 24 per cent rise in turnover to £7.37m, against £5.92m.

Earnings emerged at 18.8p (14.1p) and the interim dividend has been maintained at 4p.

The directors said full time working was continuing at all group factories and added that the withdrawal from the ERM had helped to maintain a "healthy level of inquiry" for the new season.

Wiltshire Brewery losses rise to £1.4m

THE Wiltshire Brewery Company, the shares of which are suspended pending a share subscription and placing, yesterday belatedly reported increased losses for the 14 months to November 30 1991, writes Richard Gourlay.

Pre-tax deficit rose from £578,380 to £1.39m on sales that doubled to £2.5m (£1.25m). The figure was after an exceptional provision of £460,241 against its investment in County Inns.

Mr Graham Axford, chairman and a former managing director of corporate finance at James Capel, said the group continued to suffer from its high gearing. Net interest charge in the period doubled to £705,000 (£342,000).

Wiltshire has been in discussion with its bankers since late last year.

As a result of the placing and subscription control of Wiltshire is expected to pass to Mr Vijay Mallya, one of India's largest distillers and brewers, whose family controls UB Group. A prospectus is expected shortly.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 24.10.92: Pool purchase price £/MWh	Pool Prices for Trading on 23.10.92: Pool purchase price £/MWh	Pool Prices for Trading on 23.10.92: Pool selling price £/MWh
0030	17.61	20.28	21.89
0100	17.68	20.28	22.02
0130	17.65	20.28	22.02
0200	23.73	20.28	21.99
0230	28.03	20.28	21.99
0300	28.03	20.28	21.99
0330	23.73	20.28	22.02
0400	21.05	17.60	17.60
0430	17.71	20.28	22.03
0500	17.69	17.58	17.58
0530	17.71	20.15	21.94
0600	17.70	20.15	21.94
0630	17.70	20.15	21.98
0700	17.71	20.15	21.98
0730	20.69	21.38	23.21
0800	21.24	23.43	25.32
0830	22.96	24.71	26.60
0900	22.96	24.71	26.57
0930	23.67	28.00	29.95
1000	26.07	28.00	29.94
1030	26.07	28.00	29.88
1100	22.96	28.00	29.85
1130	22.96	25.07	26.86
1200	22.96	24.71	26.49
1230	22.96	24.71	26.51
1300	21.24	24.71	26.54
1330	21.24	24.71	26.55
1400	21.24	18.08	18.08
1430	17.72	17.71	17.71
1500	17.71	17.71	17.71
1530	17.72	17.70	17.70
1600	17.72	17.71	17.71
1630	17.71	17.71	17.71
1700	18.72	17.72	17.72
1730	23.20	24.71	26.55
1800	26.90	24.71	26.53
1830	26.90	24.71	26.51
1900	28.01	27.43	29.29
1930	28.01	28.00	29.83
2000	25.23	28.00	29.83
2030	25.23	28.00	29.89
2100	23.56	27.43	29.35
2130	21.40	24.71	26.55
2200	21.40	23.43	25.24
2230	21.40	23.43	25.25
2300	17.71	21.58	23.34
2330	17.69	20.45	22.17
2400	17.55	20.45	22.18

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.

ECONOMIC DIARY

MONDAY: European Parliament plenary session (until October 30), Italian President Oscar Scalfaro visits Albania, Canada holds nationwide referendum on constitution and unity deal, UK engineering sales and orders (August), German consumer and import prices, Italian public sector borrowing.

TUESDAY: US gross domestic product (third quarter), CBI Industrial Trends Survey (October). UK quarterly house purchase finance statistics (third quarter). Launch of Transport 2000 report on Rail Investment *After Privatisation*, in London.

WEDNESDAY: EC meeting in London with the leaders of Hungary, Czechoslovakia and Poland called by Prime Minister John Major as EC President to signal commitment to enhancing ties with the three emerging democracies with eventual aim of EC membership. Interim results from Marks & Spencer, Reed International and The Telegraph, final results from Wellcome, UK bricks and cement production and deliveries (third quarter), Italian trade figures, US durable goods orders and personal income. Ernst & Young's *International* Tax Conference in London.

THURSDAY: German Bundesbank meeting, Mansion House speech by Chancellor Norman Lamont, Arab-Israeli multilateral talks in Paris on regional economy (until October 30), ICI third quarter results, UK monetary statistics (including bank and building society balance sheets) (September) and money market statistics (September), UK energy trends (August), UK new vehicle registrations (September). CBI Conference in London on UK and EC Competition Law.

FRIDAY: Presidents of Turkey, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Azerbaijan meet in Istanbul to discuss co-operation (until October 31).

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Oct 23 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Oct 22 Index No.	Wed Oct 21 Index No.	Tue Oct 20 Index No.	Year ago (approx) Index No.	1992 High		1992 Low		Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (174)	775.09	+0.8	7.33	5.64	17.80	28.80	769.02	760.37	739.58	802.95	929.04	20/5	664.23	9/9	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (23)	749.84	+2.3	6.98	7.29	20.27	35.72	732.89	721.43	675.07	966.32	1121.52	11/5	617.65	9/9	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (26)	626.16	+1.0	3.37	7.95	192.82	36.21	619.74	604.33	566.89	1051.79	1069.64	11/5	485.72	9/9	1951.50 16/7/87	71.48 2/12/74
4 Electricals (9)	2082.57	+1.5	7.99	7.23	16.54	108.10	2052.57	1988.33	1874.89	2461.85	2758.50	22/5	1874.89	20/10	3040.80 8/9/89	84.71 25/6/62
5 Electronics (27)	2051.99	+0.8	7.95	4.15	15.83	47.93	2035.01	2046.60	2066.34	1683.13	2111.16	13/10	1655.93	13/1	2308.22 19/5/89	1229.01 8/10/85
6 Engineering-Aerospace (6)	285.66	+0.5	12.39	8.22	10.26	13.70	284.10	279.35	273.70	354.02	406.10	20/5	273.62	28/9	502.42 13/6/90	273.62 28/9/92
7 Engineering-General (43)	453.74	+0.5	8.87	5.19	14.39	15.75	451.53	442.48	430.06	483.10	567.62	20/5	409.31	9/9	567.62 20/5/92	339.57 23/1/91
8 Metals and Metal Forming (7)	307.13	-0.6	5.66	7.13	25.70	7.52	309.12	303.81	298.19	432.08	379.31	18/5	256.51	8/9	596.67 9/10/87	49.65 6/1/75
9 Motors (14)	321.29	+0.7	5.99	7.35	24.96	17.59	319.21	311.22	300.85	339.48	403.06	21/5	274.42	1/9	411.42 13/10/87	19.91 6/1/75
10 Other Industrials (19)	1823.21	+0.4	6.85	4.56	17.64	60.38	1816.48	1803.91	1762.00	1556.73	1906.65	11/5	1480.17	9/9	1906.65 11/5/92	277.55 15/1/81
21 CONSUMER GROUP (191)	1652.37	+0.7	6.97	3.50	17.79	35.20	1641.07	1641.37	1619.85	1537.66	1761.38	11/5	1446.17	25/8	1761.38 11/5/92	61.41 13/12/74
22 Brewers and Distillers (25)	1991.01	+1.2	8.35	3.71	14.45	41.53	1967.79	1956.20	1933.48	1922.96	2278.85	11/5	1812.14	5/10	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing (19)	1253.75	+0.7	8.51	4.22	14.59	31.83	1245.47	1245.15	1235.47	1190.04	1327.80	11/5	1064.95	10/9	1327.80 11/5/92	59.67 11/12/74
26 Food Retailing (18)	2912.89	+0.3	8.57	3.17	15.15	54.15	2903.99	2881.59	2879.71	2379.28	2998.16	18/5	2293.80	10/1	2998.16 18/5/92	54.25 11/12/74
27 Health and Household (26)	4213.07	.....	5.23	2.64	22.18	72.10	4212.84	4284.03	4243.32	3765.58	4654.94	14/1	3648.63	26/8	4654.94 14/1/92	175.38 28/5/80
29 Hotels and Leisure (18)	1126.23	+2.1	6.98	6.05	18.85	46.03	1103.56	1087.54	1054.67	1320.73	1450.36	13/5	898.80	16/9	1845.77 8/9/89	54.83 9/1/75
30 Media (26)	1656.18	+1.0	5.99	3.17	20.84	35.18	1640.44	1630.41	1613.61	1486.70	1721.09	11/5	1376.55	25/8	1721.09 11/5/92	1166.91 16/1/91
31 Packaging, Paper & Printing (17)	754.18	+0.3	6.73	4.30	18.50	22.68	752.06	739.01	715.46	753.06	875.53	13/5	633.17	16/9	875.53 13/5/92	43.46 6/1/75
34 Stores (33)	1073.91	+1.1	6.63	3.38	20.07	19.93	1062.14	1060.86	1034.08	1006.60	1135.66	27/4	907.08	25/8	1160.58 29/7/87	52.63 6/1/75
35 Textiles (9)	690.11	-0.1	6.88	4.45	18.30	16.65	690.56	676.46	663.35	636.72	756.70	8/5	551.94	25/8	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (117)	1330.70	+0.2	9.37	5.09	13.36	40.80	1327.41	1320.19	1310.29	1238.85	1359.32	11/5	1140.56	3/4	1359.32 11/5/92	58.63 6/1/75
41 Business Services (18)	1406.42	....	6.29	3.62	19.48	30.60	1406.92	1390.44	1374.91	1376.46	1511.16	11/5	1160.34	1/9	1511.16 11/5/92	892.28 1/2/91
42 Chemicals (22)	1341.60	-1.0	7.31	5.41	16.99	48.48	1355.77	1338.61	1318.36	1416.31	1629.99	8/5	1243.05	1/9	1629.99 8/5/92	71.20 1/12/74
43 Conglomerates (10)	1370.02	+0.7	8.41	8.03	15.21	40.93	1360.77	1343.41	1317.31	1452.55	1509.94	11/5	1087.92	2/9	1819.46 11/8/89	975.19 10/11/87
44 Transport (14)	2547.34	-1.2	7.89	4.64	15.59	76.54	2577.45	2548.38	2521.56	2287.65	2790.11	20/5	2133.26	26/8	2790.11 20/5/92	90.80 29/6/62
45 *Electricity (16)*	1381.10	+0.9	15.04	5.31	8.57	55.01	1369.32	1395.36	1418.91	1189.00	1435.79	13/10	1044.63	7/4	1435.79 13/10/92	994.96 7/1/91
46 Telephone Networks (4)	1535.45	-0.1	9.84	4.30	13.25	46.15	1537.21	1528.91	1513.06	1513.01	1537.21	22/10	1274.20	3/4	1658.67 2/10/91	517.92 30/11/84
47 Water (11)	3020.35	+0.3	14.81	5.73	7.47	86.85	3011.57	3013.30	3051.84	2294.36	3051.84	20/10	2140.95	8/4	3051.84 20/10/92	1820.20 1/5/90
48 Miscellaneous (22)	2310.33	+2.2	5.70	4.37	22.03	55.75	2261.46	2235.65	2200.76	1814.52	2310.33	23/10	1770.94	3/1	2310.33 23/10/92	60.39 6/7/75
49 INDUSTRIAL GROUP (482)	1329.79	+0.6	7.82	4.38	16.04	35.99	1322.39	1317.62	1299.65	1261.05	1427.97	11/5	1168.49	1/9	1427.97 11/5/92	59.01 13/12/74
51 Oil & Gas (18)	2126.14	+0.4	6.34	6.10	20.66	97.68	2118.34	2116.60	2114.29	2393.26	2226.66	2/1	1756.72	7/8	2528.70 3/8/90	87.23 29/5/62
59 500 SHARE INDEX (500)	1403.66	+0.5	7.67	4.56	16.42	40.79	1396.12	1391.50	1374.36	1357.94	1493.99	11/5	1228.86	26/8	1493.99 11/5/92	63.49 13/12/74
61 FINANCIAL GROUP (83)	807.27	.....	–	5.44	–	31.00	806.90	789.95	774.40	765.51	807.27	23/10	631.13	25/8	896.67 13/10/87	55.88 13/12/74
62 Banks (9)	1101.49	.....	4.70	5.05	31.92	40.52	1101.18	1074.22	1060.04	904.10	1101.49	23/10	790.95	3/4	1101.49 23/10/92	62.44 12/12/74
65 Insurance (Life) (6)	1623.47	.....	–	5.60	–	68.18	1623.02	1595.64	1565.51	1415.08	1623.47	23/10	1243.61	6/4	1632.53 4/9/91	44.88 2/1/75
66 Insurance (Composite) (7)	584.46	+0.6	–	5.16	–	22.58	581.18	569.77	554.37	561.11	584.46	23/10	418.66	27/7	768.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (10)	762.00	+3.8	9.40	7.38	13.98	42.23	734.00	701.39	693.09	1104.93	1031.35	27/1	527.43	25/8	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (7)	481.13	-0.4	–	4.66	–	13.71	483.16	475.31	466.50	476.07	521.89	22/5	395.41	28/8	547.99 12/10/87	31.21 7/1/75
69 Property (30)	583.92	-1.8	9.54	7.21	13.77	23.61	594.83	592.65	561.05	876.97	799.69	20/1	464.71	16/9	1398.87 5/9/89	56.01 20/4/65
70 Other Financial (14)	251.02	+0.3	7.96	6.65	16.50	9.35	250.18	246.21	241.97	256.78	271.79	26/5	215.01	2/9	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (70)	1201.73	-0.2	–	3.73	–	27.54	1204.07	1184.81	1170.85	1221.93	1273.00	11/5	1024.12	25/8	1323.81 4/1/90	71.12 13/12/74
99 ALL-SHARE INDEX (653)	1259.33	+0.5	–	4.66	–	37.90	1253.63	1246.09	1229.53	1216.26	1326.36	11/5	1086.13	25/8	1326.36 11/5/92	61.92 13/12/74

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

	Fri Oct 23	Day's change %	Thu Oct 22	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (22)	128.14	+0.05	128.08	1.62	10.69
2 5-15 years (25)	145.21	+0.62	144.31	1.45	11.85
3 Over 15 years (8)	150.46	+1.19	148.68	2.31	9.97
4 Irredeemables (6)	170.79	+1.35	168.52	4.41	8.83
5 All stocks (61)	141.64	+0.51	140.92	1.65	11.42
Index-Linked					
6 Up to 5 years (2)	181.43	+0.07	181.31	0.27	3.68
7 Over 5 years (10)	164.15	+0.05	164.06	0.77	4.04
8 All stocks (12)	165.30	+0.06	165.21	0.70	3.96
9 Debs & Loans (62)	120.92	+1.09	119.62	1.96	10.11

AVERAGE GROSS REDEMPTION YIELDS

		Fri Oct 23	Thu Oct 22	Year ago (approx.)	1992 High		1992 Low	
British Government								
1 Low	5 years	7.02	6.99	8.74	10.03	15/9	6.99	22/10
2 Coupons	15 years	8.36	8.44	9.55	9.72	1/4	8.36	23/10
3 (0%-7¾%)	20 years	8.66	8.76	9.55	9.72	1/4	8.63	14/9
4 Medium	5 years	7.39	7.43	9.84	10.28	1/4	7.39	23/10
5 Coupons	15 years	8.72	8.85	9.70	9.82	1/4	8.72	23/10
6 (8%-10¾%)	20 years	9.02	9.16	9.65	9.76	1/4	8.76	14/9
7 High	5 years	7.62	7.63	10.04	10.50	1/4	7.62	23/10
8 Coupons	15 years	9.03	9.20	9.79	9.96	1/4	9.00	22/5
9 (11%-)	20 years	9.16	9.34	9.71	9.90	5/10	8.94	14/9
10 Irredeemables†		9.06	9.18	9.76	9.92	2/4	8.85	14/9
Index-Linked								
11 Inflation rate 5%	Up to 5yrs.	2.71	2.71	3.83	5.06	16/9	2.68	21/10
12 Inflation rate 5%	Over 5 yrs.	3.86	3.86	4.23	4.76	16/9	3.86	22/10
13 Inflation rate 10%	Up to 5 yrs.	1.91	1.90	3.20	4.23	16/9	1.86	21/10
14 Inflation rate 10%	Over 5 yrs.	3.68	3.67	4.05	4.56	16/9	3.67	22/10
15 Debs &	5 years	8.83	8.09	11.42	11.51	6/4	8.83	23/10
16 Loans	15 years	10.07	10.22	11.22	11.22	6/4	10.07	1/6
17	25 years	10.26	10.39	11.02	11.02	6/4	9.98	1/6

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. The FT-Actuaries All Share Index is calculated by the Finanical Times Limited in conjunction with the Institute of Actuaries. The FT-SE 100, FT-SE 250 and the FT-SE Actuaries 350 Indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by the The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allid Lyons (*639)	600	41	54	67	2	16	24
	650	4	26	41	16	42	47
	700	1	12	23	65	75	80
ASDA (*41)	35	8	10	12	1½	3	4
	40	1½	7	9	2½	4½	6½
	45	½	4½	6	5	7½	9½
Brit. Airways (*305)	300	10	24	32	6	20	23
	330	1	12	19	28	39	42
SmKl Bchm A (*506)	500	12	35	45	7	22	28
	550	1	14	23	47	54	57
Boots (*481)	460	24	41	49	2	15	21
	500	3	19	29	23	34	42
B.P. (*234)	220	15	23	26	2	8	11½
	240	2½	12	17	9	18	21
British Steel (*62)	60	4	8	10	2	6	8
	70	½	3½	6	9	13	14
Bass (*562)	550	16	38	47	6	32	40
	600	2½	16	28	45	67	72
C & Wire (*595)	550	41	60	73	2	13	18
	600	6	29	44	13	34	40
Courtaulds (*487)	460	33	49	61	2	16	24
	500	4	26	40	16	36	52
Com. Union (*585)	550	38	59	66	1½	13	26
	600	3½	31	38	19	33	49
Fisons (*232)	220	18	32	40	8	24	32
	240	7	24	32	20	36	44
GKN (*415)	390	27	42	48	2	11	21
	420	5	24	30	9	23	34
Grand Met. (*408)	390	21	39	43	3	18	24
	400	13	–	–	5	–	–
I.C.I. (*1045)	1000	50	92	110	3	29	52
	1050	14	62	78	16	50	77
Kingfisher (*545)	500	48	66	79	2	12	17
	550	8	34	48	12	30	37
Ladbroke (*167)	160	10	24	30	5	15	21
	180	1	14	21	18	26	33
Land Secur (*411)	390	22	29	37	1½	10	13
	420	2	12	21	15	26	29
M & S (*342)	330	14	27	36	3	14	18
	360	2	12	20	21	30	34
Sainsbury (*495)	460	38	50	60	2	13	14
	500	5	24	34	10	26	31
Shell Trans. (*520)	460	71	81	84	1	3	5½
	500	32	47	51	1	7	16
Storehouse (*159)	140	21	26	29	2	6	8½
	160	6	13	18	6	14	18
Trafalgar (*87)	80	10	16	19	2	6	9½
	90	3	10	14	4	12	15
Utd. Biscuits (*328)	300	27	40	45	1½	6½	14
	330	5½	20	26	7	18	27
Unilever (*1094)	1050	39	70	89	3	22	30
	1100	7	41	60	22	43	50

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*137)	130	18	32	33	9	20	24
	140	13	26	30	17	24	35
	160	7	17	22	30	37	47
BAA (*725)	700	39	59	75	13	26	35
	750	12	33	50	42	54	60
	800	3	17	31	82	89	94
BAT Inds (*902)	850	64	92	101	10	23	40
	900	30	60	72	26	43	61
	950	11	39	50	57	69	91
BTR (*502)	500	16	32	36	13	24	33
	550	3	13	16	50	57	64
Brit. Telecom (*376)	360	23	31	38	4½	12½	17
	390	7	14½	22	19	28	32
Cadbury Sch (*450)	420	34	50	56	5½	13	19
	460	11	27	33	20	30	39
Eastern Elec (*90)	80	12	16	19	11½	11	13
	90	7	12	16	11	17	19
Guinness (*542)	500	50	67	77	8	14	22
	550	17	37	48	25	35	43
GEC (*243)	240	10	16	22	6	12	14
	260	3	7½	12½	19	23	25
Hanson (*233)	220	17½	21	24	3	8	10
	240	3	10	14	10½	17	20
LASMO (*185)	180	15	27	32	11	20	27
	200	7	18	24	23	31	39
Lucas Inds (*106)	100	13	17	23	5	12	16
	110	7	15	19	11	17	22
P. & O. (*437)	390	53	70	80	5½	16	27
	420	31	51	99	13	26	42
Pilkington (*88)	80	12	16	19	5½	11	13
	90	7	12	16	11	17	19
Prudential (*280)	280	10	20	24	10	16	22
	300	3	11	15	24	27	34
R.T.Z. (*629)	600	42	62	70	8	19	31
	650	14	34	42	32	45	57
Scot. & New (*432)	420	24	35	45	10	22	26
	460	5½	16	26	34	4548	–
Tesco (*239)	220	26	34	36	4	7	12
	240	11	21	24	10	15	21
Thames Wtr (*464)	460	14	25	26	14	22	25
	500	3	11	18	47	50	50
Vodafone (*376)	360	27	39	49	7	17	23
	390	10	23	33	21	33	38

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*329)	330	17	26	30	13	25	27
	360	6	14	19	34	42	45
Amstrad (*25)	20	7	8	8½	1½	2	2½
	25	3½	5	5½	3	4	4½
Barclays (*340)	330	26	37	39	17	29	35
	360	12	24	28	35	48	52
Blue Circle (*157)	140	25	32	36	7	12	18
	160	13	22	26	16	22	28
British Gas (*268)	260	17½	25½	28	6	9½	15
	280	7½	15	16½	16	19	26
Dixons (*221)	220	17	26	31	13	19	23
	240	9	16	22	26	30	34
Eurotunnel (*360)	360	28	45	57	27	38	44
	390	15	31	43	47	52	62
Glaxo (*776)	750	61	85	105	25	41	54
	800	34	58	80	49	68	80
Hillsdown (*104)	100	13	19	21	11	15	21
	110	8	15	18	16	22	27
Lonrho (*72)	70	10	11½	13½	7	12	14
	80	5	8	10	12	18	20
HSBC 75p shs (*479)	460	40	54	63	15	27	33
	500	20	33	43	36	47	55
Nat Power (*249)	240	22	26	32	6	13	14
	260	9	16	22	17	21	24
Reuters (*1220)	1200	91	130	148	45	60	78
	1250	62	100	119	65	82	102
R. Royce (*131)	130	9	13	13	7½	13	15½
	140	5	9	8½	13½	20	21
Scot Power (*202)	200	10	13½	17	6	10	11½
	220	3	5½	9	19½	23	24
Sears (*91)	90	7	12	13	8½	9	12
	100	3	7	9	13	14	18
Forte (*179)	160	25	33	35	7½	15	21
	180	14	22	26	17	24	33
Thorn EMI (*807)	800	35	50	67	26	37	45
	850	14	30	44	60	68	72
TSB (*143)	140	12	16	18	6	10	12
	160	4	7	9	19	22	24
Vaal Reefs (*530)	30	4	5	5½	3	5	5
	35	2	3	4	6	8	8
Wellcome (*991)	950	77	107	128	30	50	62
	1000	48	82	102	52	73	87

EURO FT-SE INDEX (*2649)

	2475	2525	2575	2625	2675	2725	2775	2825
CALLS								
Nov	232	187	145	107	74	47	28	15
Dec	264	221	180	142	110	84	62	44
Jan	–	237	–	165	–	105	–	62
Mar	–	270	–	200	–	135	–	90
Jun	–	292	–	225	–	170	–	125
Sep	–	330	–	270	–	220	–	165
PUTS								
Nov	12	18	25	33	55	78	108	–
Dec	23	30	38	50	67	90	116	148
Jan	–	40	–	63	–	102	–	160
Mar	–	60	–	85	–	120	–	170
Jun	–	70	–	100	–	140	–	190
Sep	–	90	–	115	–	155	–	210

FT-SE INDEX (*2649)

	2500	2550	2600	2650	2700	2750	2800	2900
CALLS								
Nov	208	164	124	88	60	37	21	–
Dec	243	203	165	130	96	70	51	24
Jan	256	220	183	150	115	92	72	–
Feb	272	235	200	168	138	112	90	–
Jun †	315	–	250	–	190	–	140	100
PUTS								
Nov	14	20	28	45	67	100	137	–
Dec	25	33	46	62	84	112	145	227
Jan	35	45	58	75	97	125	157	–
Feb	46	57	70	90	110	135	170	–
Jun †	70	–	100	–	145	–	200	260

October 23 Total Contracts 24,902
Calls 14,419 Puts 10,483
FT-SE Index Calls 6,078 Puts 4,752
Euro FT-SE Calls 25 Puts 652
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT FIXED INTEREST INDICES

	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Year ago	* High	* Low
Govt Secs	93.41	92.87	92.90	92.20	91.58	86.50	93.41	85.11
Fixed Interest	106.46	105.91	105.93	105.18	105.28	96.40	106.46	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation:127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation:106.46 (14/9/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

	Gilt edged bargains	5-Day Average
Oct 22	182.1	170.5
Oct 21	206.3	163.5
Oct 20	168.8	149.9
Oct 19	149.0	144.2
Oct 16	168.4	140.7

Indices: SE activity 1974

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	35	Hanson	17	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	8
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	26	BP	22
BOC	48	FKI	5	Lloyds Bank	34	TSB	11½	Burmah Castrol	58
BTR	35	FNFC	6	Lonhro	8	Tesco	17	Conroy Pet	6
Barclays	28	Forte	17	Lucas Inds	11	Thorn EMI	58	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	31	Gen Accident	40	NatWest Bank	25	Unilever	75	Shell	42
Bowater	58	GEC	17	P & O Dfd	32	Vickers	9	Tuskar Res	½
Brit Aerospace	30	Glaxo	15	Racal Elect	6	Wellcome	71	■ MINES	
British Steel	8	Grand Met	34	RHM	14	■ PROPERTY			
BT	25	GRE	15	Rank Org	42	Brit Land	15	RTZ	50

Exxon and Mobil slightly ahead in third quarter

By Alan Friedman in New York

EXXON and Mobil, the two biggest US oil and natural gas groups, yesterday reported third-quarter net profits that were only slightly improved year-on-year.

Exxon said its third-quarter net income was $1.135bn, compared with $1.115bn in the same period last year. That translates into earnings per share of 90 cents, two cents higher than a year ago. Exxon added, however, that with extraordinary items stripped out its year-to-year improvement was 6 per cent.

Mobil reported a 13 per cent rise in third-quarter net profits, to $413m. That was $1.00 per share in the 1992 third quarter, compared to 87 cents a year ago.

However, the company said that with extraordinary items stripped out its third-quarter 1992 net would be 11 per cent higher than last year.

Mobil also announced that from January 1 next year it would start reorganising its European sales, marketing and administrative activities.

The reorganisation would see the full range of Mobil's business placed in three new profit centres – refining, fuels marketing and lubricants marketing. Revenues from these businesses in Europe last year amounted to $14.87bn out of total worldwide revenues of $38bn.

Mobil said the European reorganisation was accounted for as part of the $68m of restructuring charges it had written off in the third quarter.

Some 8,000 of Mobil's 67,000 total employees are employed in these European activities, although the group said it could not predict how many jobs might eventually be cut as a result of the reorganisation.

Exxon said its third-quarter revenues were $30.6bn, up from $27.5bn a year ago. Third-quarter capital and exploration spending was $2.16bn, down from $2.28bn in the same quarter last year.

For the first nine months of 1992 Exxon's net profit was $3.44bn, a sharp drop from the $4.48bn achieved in the same period of 1991.

The company attributed the slump to unusually high refining margins in early 1991 that resulted from declining crude prices.

Revenues for the first nine months of 1992 were $86.32bn, up slightly from $85.47bn in the same period of last year.

Mobil's net income for the first nine months of 1992 was $795m, down from $1.52bn in the same period of 1991.

On Wall Street, Exxon's share price was unchanged at $62 while Mobil's price was up $⅛ at $63.

Japanese brokers report first-half losses

By Robert Thomson in Tokyo

JAPAN'S leading securities houses reported losses for the first half, and Nomura Securities, the largest broker, also suffered a serious loss of face by falling behind Daiwa Securities for the first time.

Brokers blamed their poor performance on the continuing weakness of prices and turnover on the Tokyo stock market, as well as a fall in underwriting fees and a halving of their financial revenue.

The earnings figures would have been worse if all brokers had written off the losses on their securities holdings. In an attempt to encourage the market in August, the finance ministry allowed the houses to delay the write-off until the end of the fiscal year in March.

Nomura, Daiwa, and Nikko Securities reported small pre-tax profits, while Daiwa reported zero after-tax profits and Nomura and Nikko had net losses. Yamaichi Securities, the final member of the Big Four, reported a pre-tax loss of Y19.3bn ($160m), up from a Y5.4bn loss last year, and an after-tax loss of Y15.8bn, up from Y3.8bn.

All the brokers are forecasting improved results for the second half, but the renewed weakness of Tokyo prices in recent weeks has prompted companies to broaden their cost-cutting programmes, which include scaling down international operations and closing unprofitable domestic branches.

The country's 10 second-tier brokers are under extreme pressure, with pre-tax losses ranging from Y3.8bn at Tokyo Securities to the Y18.9bn at New Japan Securities, which admitted that "our revival plan was not strong enough for us to make a profit".

When the first half began, most brokers reckoned that the daily average trading volume in Tokyo would be around Y350bn, but the actual figure was Y258bn. Trading volumes have remained weak since the second half of this month, but brokers have based their full-year forecasts on an optimistic turnover figure of around Y350bn.

Nomura said the stock market was weighed down by the worsening domestic economy and poor corporate earnings. The company reported a 39.6 per cent fall in stock brokerage commissions, and a 77.4 per cent fall in the total value of stocks underwritten by the company.

These large declines were common throughout the industry, though there was an improvement in many brokers' bond dealings. Nomura reported a Y15.8bn profit on its trading in bonds, while the total amount of bonds underwritten fell 17.8 per cent on the same period last year.

At Yamaichi, which has launched the deepest restructuring of the Big Four, the lack of enthusiasm among individual investors was seen in 28 per cent fall in commission income on investment trusts. Ordinary Japanese investors turned away from the market after the collapse of prices and a spate of stock scandals last year.

Individuals have been net buyers so far this month, and the second-tier brokers, who are more dependent on individuals as customers, will be reliant on a continuing increase to improve their profits. But many second-tier companies have already conceded that it will be difficult to turn a profit this year, and New Japan forecast a pre-tax loss of Y19bn, an improvement on last year's loss of Y44bn.

For the full year, Nomura expects a pre-tax profit of Y20bn, down 55 per cent, while Daiwa is expecting a pre-tax profit of Y12bn, up 29 per cent, and Nikko is forecasting a profit Y15bn, compared to Y3.1bn. Yamaichi is hoping for a pre-tax profit of Y1bn, compared to a loss of Y36.5bn last year.

FIRST-HALF RESULTS, Ybn (1991)

	NOMURA	DAIWA	NIKKO	YAMAICHI
Operating income	178.6 (246.0)	133.2 (193.6)	118.7 (165.3)	97.6 (138.6)
commissions	94.7 (147.1)	70.6 (101.1)	66.4 (97.4)	61.5 (97.6)
profit on securities dealings	36.0 (18.6)	22.8 (16.9)	18.3 (7.4)	8.5 (-13.6)
Pre-tax profit	0.98 (39.7)	1.87 (20.6)	0.95 (12.0)	-19.3 (-5.4)
After-tax profit	-6.5 (18.1)	0.0 (10.8)	0.61 (1.2)	-15.8 (-3.8)

Source: company figures

Goodyear surges to $103.3m

By Alan Friedman

GOODYEAR, the last surviving large US-owned tyre company, yesterday reported third-quarter net profits of $103.3m, up sharply from $59.1m a year ago.

The Akron-based company said in September it expected to achieve third-quarter earnings per share higher than the $1.01 per share recorded in the same period last year; the 1992 quarterly earnings per share were $1.44.

Goodyear said its improved third-quarter results had been helped by the introduction of new products and a strengthened distribution network.

Interest expenses were also lower, although advertising costs were higher.

Revenues in the third quarter were $3bn, in line with earlier forecasts by the company and compared with $2.8bn a year ago.

In the first nine months of 1992 Goodyear had net profits of $279.3m, compared with a loss of $8.5m in the same period of 1991.

Revenues for the nine months were $8.9bn, up from $8.1bn

Mr Stanley Gault, chairman, said Goodyear's replacement tyre sales remained strong in the US, and he claimed that the company was gaining market share.

On Wall Street, Goodyear's share price improved by $1⅛ after the results were published, to $86⅞.

Baltica moves to shore up capital base ahead of expected deficit

By Hilary Barnes in Copenhagen

BALTICA, the Danish insurance group, is to strengthen its capital base ahead of a loss which is expected to reach between DKr2.5bn and DKr2.8bn ($430m-$482m) this year.

That would cut shareholders' equity from DKr9.2bn at the end of 1991 to about DKr4.5bn at the end of 1992, and the group will not pay a dividend for 1992.

The group has shored up Baltica Holdings, its parent company, by selling 32.35 per cent of its shares in Baltica Insurance to Den Danske Bank at DKr1,512 per share, which will raise DKr2.5bn. The deal gives Baltica the right to buy back the shares before the end of 1993.

The holding company is selling some of its shares in France's Suez, in which Baltica has a total stake of just under 3 per cent, but this will not affect the co-operation agreement with Suez and Victoire, the insurance group controlled by Suez. Suez has a 23.4 per cent stake in Baltica Holding.

Baltica said it will also sell its 4.9 per cent holding in Skandia, the Swedish insurer.

In its first-half statement in August, Baltica reported a DKr991m loss, but said it expected a better second half. However, the group has subsequently had to make a DKr600m write-off on a property investment in Gibraltar and additional property write-offs of DKr200m.

It also expects a loss of DKr300m in Baltica Bank, double the earlier forecast.

Baltica Insurance is injecting DKr500m into Baltica Bank, which received lower credit ratings recently, and making a DKr500m deposit with the bank. The group said that Baltica Holding expects to make a profit in 1993.

● Jyske Bank reported a third-quarter loss of DKr400m, taking the operating loss for the year so far to DKr913m. The total loss for the year is expected to be about DKr1bn.

Elkem shares tumble on disappointing results

By Karen Fossli in Oslo

SHARES in Elkem, the troubled Norwegian light metals producer, fell sharply yesterday when the company announced a pre-tax loss before extraordinary items of NKr367m ($59.72m) – the same as for the previous corresponding period.

The depth of Elkem's problems were highlighted after it was disclosed that the company has approached the industry ministry to help strengthen its capital base. Elkem is seeking exemption from Norway's electricity tax and new taxes on electricity production or use.

The group's equity-to-debt ratio has weakened to 20 per cent from 22 per cent since January.

The company last month sought postponement by the government of a NKr270m loan used to acquire a 45 per cent stake in former state-owned Norsk Jern Holding, which controls steel production and distribution companies.

Elkem announced its nine-month figures three days earlier than originally planned in order to stem speculation in its shares. The A shares closed NKr5.50 down to NKr21.50 yesterday as Free shares shed NKr4 to NKr28.

Elkem blamed its troubles on a weak market but said it is taking measures to strengthen long-term financing.

Group sales fell by NKr423m to NKr5.44bn but operating losses narrowed to NKr20m from NKr97m.

Pre-tax losses after extraordinary items widened to NKr307m from NKr188m last year. The company made a NKr60m profit on the sale of Elkem Eiendom, a real estate subsidiary. In the same period last year, it returned a NKr179m profit on the disposal of its 50 per cent stake in Alcoa Nederland Holding.

GAN profits sharply lower after six months

By William Dawkins in Paris

GROUPE GAN, the third-largest French state-owned insurer, has announced that profits almost halved in the first six months, due to a rise in car thefts and industrial accident claims and an increase in bad debts at CIC, its banking unit.

GAN's net profits slid from FFr962m in the first half of 1991 to FFr487m ($94.56m) in the same period of this year, on premium income up by 11.9 per cent to FFr21.9bn over the same period.

GAN warned that, barring an economic recovery, full-year profits would be down sharply because of the extra claims from Hurricane Andrew and the recent floods in southern France.

Charges push New York Times into the red

By Alan Friedman

SPECIAL charges related to the closing of a regional newspaper caused The New York Times Company to suffer a $33.9m third-quarter loss, compared with a $1.9m net profit a year ago. The loss, which translates into a deficit of 43 cents per share, against earnings of 3 cents a share a year ago, was struck on revenues that were 9.2 per cent improved at $429.7m.

The third-quarter charges included a pre-tax $48m write-off from the closing of The Gwinnett Daily News in Georgia and $3m of costs at a new printing and distribution plant.

For the first nine months of 1992, The New York Times had a loss of $4.7m on revenues of $1.31bn, compared with a 1991 nine-month net profit of $12.4m on revenues of $1.25bn.

The nine-month result was also affected by $20m of second-quarter charges related to severance payments.

The newspaper division, including The Times, 31 regional papers and 50 per cent of the International Herald Tribune, benefited from higher advertising revenues and earned $14.6m in the third quarter before charges, compared with $10.1m a year ago.

The magazines division made an operating profit of just below $1m, compared with a loss of the same amount a year ago. Broadcasting and information services achieved operating income of $3.5m in the quarter, against $2.9m a year ago.

Skandia to review future of North American reinsurance operations

By Christopher Brown-Humes in Stockholm

SKANDIA, the leading Swedish insurer, is reviewing the future of its reinsurance operations in North America, after rejecting a $500m offer for the business from the New York-based investment group, John Head & Partners.

Mr Haakon Lindkvist, Skandia executive vice-president, said the group had rejected the offer, worth $20 per share, because it was "too low".

He said the group had not received any other offers, but declined to comment further.

Skandia has already tried to reduce its exposure to North American reinsurance by selling a majority stake in Skandia America Corp (SAC) through a public offering.

However, it aborted these plans earlier this month because it could not get the price it wanted for the shares.

Since then, Mr James Dowd, SAC's chairman and chief executive, has resigned because of differences over business strategy.

John Head said yesterday that it was still prepared to meet Skandia executives to discuss the offer.

The US group already has other insurance operations, which are affiliates of its Head Insurance Investors unit, and it was prepared to subscribe $60m in preferred stock had Skandia's public offering gone ahead.

Last year SAC produced an SKr59m ($10.33m) profit for Skandia on gross premiums of SKr3.2bn.

Advanta buys Kempinski stake

ADVANTA Management Group has acquired 50 per cent of Berliner Kempinski, the hotel chain, for an undisclosed sum, Reuter reports from Frankfurt. Twenty-three per cent was acquired from Lufthansa and the rest from Rolaco of Geneva.

Advanta also has a 20-year option to buy Lufthansa's remaining 20 per cent, with the right to exercise the option after seven years. Rolaco has retained 10 per cent.

Earlier this month Lufthansa and Advanta confirmed that they were holding talks on Kempinski. The move by Lufthansa to divest its Kempinski stake came after an unsuccessful attempt to merge the hotels with Air France's Meridien luxury chain.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$343.25	+0.8	$356.05	$358.40	$335.20
Silver Per troy oz	234.50p	+14.6	237.3p	242.70p	187.58p
Aluminium 99.7% (cash)	$1161.5	-3	$1114.5	$1339.0	$1105.5
Copper Grade A (cash)	£1383	+31.5	£1363.5	£1418.0	£1125.0
Lead(cash)	£324.25	-1.25	£302.5	£383.5	£278.50
Nickel (cash)	$6125	-55	$7500	$8195.0	$6125
Zinc SHG (cash)	$1109	-31.5	$991.5	$1457.5	$1106.5
Tin (cash)	$5877.5	-77.5	$6547.5	$7115.0	$5425.0
Cocoa Futures (Mar)	£708	+28	£824	£733	£523
Coffee Futures (Jan)	$903	+47	£537	$1013	$676
Sugar (LDP Raw)	$230	n/c	$232.9	$272.6	$193
Barley Futures (Jan)	£127.50	+1.4	£118.15	£127.60	£106.90
Wheat Futures (Jan)	£129.15	+2.55	$122.4	£131.85	£109.85
Cotton Outlook A Index	52.70c	n/c	68.45c	65.90c	52.25c
Wool (64s Super)	409p	+6	335p	480p	364p
Oil (Brent Blend)	$20.15x	-0.65	$21.875x	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Dec.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.85-7.96	-0.05
Brent Blend (dated)	$19.95-0.05	-.075
Brent Blend (Dec)	$20.10-0.20	-0.05
W.T.I (1 pm est)	$21.30-1.40	-.125
Oil products *(NWE prompt delivery per tonne CIF*		+ or -
Premium Gasoline	$214-217	
Gas Oil	$194-195	
Heavy Fuel Oil	$104-106	
Naphtha	$184-195	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$343.25	+0.05
Silver (per troy oz)♣	*379.5c*	*-1*
Platinum (per troy oz)	$356.85	+0.2
Palladium (per troy oz)	$94.40	+0.6
Copper (US Producer)	*104.5c*	
Lead (US Producer)	38.5c	
Tin (Kuala Lumpur market)	14.30r	+0.12
Tin (New York)	269.5c	
Zinc (US Prime Western)	*62.0c*	
Cattle (live weight†	108.11p	-2.40*
Sheep (live weight)†♣	75.08p	+0.77*
Pigs (live weight)†	*83.36p*	*-2.20**
London daily sugar (raw)	$230.0w	-3
London daily sugar (white)	$264.0w	+1
Tate and Lyle export price	*£250.0*	*-2.5*
Barley (English feed)	£126.5u	
Maize (US No. 3 yellow)	£144.0	
Wheat (US Dark Northern)	*Unq*	
Rubber (Nov)♥	61.00p	
Rubber (Dec)♥	60.75p	
Rubber (KL RSS No 1 Oct)	*222.0m*	*-1.5*
Coconut oil (Philippines)§	$510.0y	+5
Palm Oil (Malaysian)§	$382.5u	+5
Copra (Philippines)§	*$330.0*	*+5*
Soyabeans (US)	£155.0w	
Cotton "A" Index	52.70c	
Wooltops (64s Super)	409p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar y-Dec/Jan u-Dec. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	199.00	200.00	199.00
Mar	195.00	196.00	196.00
White	**Close**	**Previous**	**High/Low**
Dec	258.00	259.50	260.00 257.00
Mar	256.10	258.50	259.00 255.50
May	258.00	259.50	259.50 257.50
Aug	264.00	259.50	266.00 263.50
Oct	254.00	259.50	254.00
Dec	254.50	258.50	254.50

Turnover: Raw (131) lots of 50 tonnes. White 1801 (796) Paris- White (FFr per tonne): Dec 1346.49 Mar 1366.74

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Dec	20.12	20.11	20.27 20.10
Jan	20.13	20.12	20.26 20.12
Feb	20.04	20.05	20.15 20.04
Mar	20.01	19.91	20.03 20.01
Apr	19.80	19.78	19.80
May	19.72	19.68	19.73 19.70
Jun	19.68	19.58	19.68
Jul	19.53	19.48	19.53
IPE Index	20.27	20.62	

Turnover 17101 (37671)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	191.25	191.75	192.75 189.50
Dec	193.00	193.75	194.75 192.00
Jan	194.00	194.25	195.00 192.50
Feb	190.50	190.50	191.00 189.25
Mar	184.50	184.25	184.75 184.25
Apr	180.00	180.00	181.00 180.00
May	177.00	177.00	177.75 177.00
Jun	175.75	175.50	176.50 175.75
Jul	176.50	176.50	176.00 176.00

Turnover 22419 (23139) lots of 100 tonnes

SPICES

Black pepper prices have advanced sharply in origin countries like India and Malaysia. Spot black pepper rose to $1,350 a tonne. White pepper weakened initially, *but recovered to $1,550 a tonne spot and* about $1,525 cif. Nov/Dec shipment. The future of the market looks definitely firmer.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	682	681	692 678
Mar	708	707	718 702
May	726	723	735 720
Jul	745	742	752 742
Sep	759	758	759 758
Dec	782	785	789 782
Mar	807	807	817 807
May	831	826	831 828
Jul	*846*	*840*	*846*
Sep	865	855	866 886

Turnover: 8246 (6031) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 22 763.65 (746.27) 10 day average for Oct 23 735.55 (738.14)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	865	874	888 876
Jan	903	890	905 893
Mar	917	905	920 910
May	914	900	919 909
Jul	916	916	915
Sep	930	920	930 922
Nov	940	930	940

Turnover:4235 (4151) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 22: Comp. daily 54.78 (54.42) 15 day average 52.05 (51.66)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	60.5	59.5	60.5 59.1

Turnover 48 (20) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	239	241.00	239

Turnover 0 (30) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1122	1114	1122 1115
Nov	1210	1210	1210 1205
Dec	1205	1205	1205 1202
Jan	1234	1230	1235 1225
Apr	1260	1253	1260
Jul	1130	1127	1130
BFI	1093	1079	

Turnover 134 (186)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	*125.85*	*125.00*	*125.95*
Jan	129.15	128.85	129.35 128.75
Mar	132.00	131.75	132.20 131.60
May	134.60	134.25	134.75 112.07
Jun	135.50	135.35	135.50
Sep	103.75	-	103.75
Nov	106.75	106.00	105.75
Barley	**Close**	**Previous**	**High/Low**
Nov	123.50	124.00	124.00 123.50
Jan	127.50	127.60	127.75 127.50
Mar	130.75	130.45	130.75
May	132.00	-	132.00

Turnover: Wheat 305 (704), Barley 25 (109).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	110.0	109.8	110.5 110.0
Apr	104.0	104.3	104.0
May	105.0	104.6	105.0

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,589 lots
Cash	*1161-2*	*1162.5-8.5*		1165-5.5		
3 months	1165-6	1167-8	1192/1185	1169-9.5	1169-9.5	177,348 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,071 lots
Cash	1382-4	1382-3	1377/1376	1376-7		
3 months	1409-10	1410-1	1410/1406	1405-5.5	1410-1	143,623 lots
Lead (£ per tonne)						Total daily turnover 1,422 lots
Cash	324-4.5	320-1	324.5/324.5	323-4		
3 months	336-6.5	333-4	338/333	335.5-6.0	336-9	24,666 lots
Nickel ($ per tonne)						Total daily turnover 4,908 lots
Cash	6120-30	6075-80	6162/6162	6160-2		
3 months	*6200-10*	*6155-60*	*6270/6170*	*6240-5*	*6205-10*	*31,092 lots*
Tin ($ per tonne)						Total daily turnover 2,292 lots
Cash	5875-80	5835-40		5855-60		
3 months	*5930-5*	*5895-900*	*5970/5900*	*5915-20*	*5930-40*	*10,467 lots*
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,199 lots
Cash	1108-10	1111-3		1113-3.5		
3 months	1125-6	1129-31	1130.5/1125	1130.5-1.0	1127-8	67,356 lots

LME Closing £/$ rate:
SPOT: 1.6150 3 months: 1.5965 6 months: 1.5863 9 months: 1.5796

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	343.10-343.40	
Opening	343.00-343.40	
Morning fix	343.60	210.153
Afternoon fix	342.50	211.747
Day's high	343.90-344.20	
Day's low	342.20-342.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.06	6 months	2.25
2 months	2.08	12 months	2.48
3 months	2.14		

Silver fix	p/troy oz	US cts equiv
Spot	234.60	379.50
3 months	238.00	383.05
6 months	241.60	386.35
12 months	248.55	393.40

GOLD COINS

	$ price	£ equivalent
Krugerrand	*342.00-345.00*	*210.00-212.00*
Maple leaf	363.50-365.80	-
New Sovereign	82.50-84.50	50.00-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	*Nov*	*Feb*	*Nov*	*Feb*
1125	56	86	6	11
1175	24	52	23	26
1225	7	28	56	52
Copper (Grade A)	**Calls**		**Puts**	
2200	62	94	17	33
2300	15	43	69	80
2400	3	16	156	151
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	200	188	23	16
800	173	151	37	29
850	148	110	55	46
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
575	107	137		3
600	83	115	1	6
625	61	94	4	10
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
2050	10	35	50	63
2100	8	21		
2150				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	343.6	343.1	343.8	343.8
Nov	*343.5*	*343.0*	*344.3*	*344.3*
Dec	344.2	343.7	344.8	342.8
Feb	345.5	345.0	345.7	344.1
Apr	346.9	346.4	346.5	346.3
Jun	348.5	348.0	0	0
Aug	350.2	349.7	0	0
Oct	352.1	351.6	351.7	351.7
Dec	354.1	353.5	354.2	354.2

PLATINUM 50 troy oz; $/troy oz.

	Latest	Previous	High/Low	
Oct	359.5	358.4	359.5	359.5
Jan	355.8	354.4	359.5	354.5
Apr	*354.7*	*353.1*	*355.0*	*354.0*
Jul	353.1	353.1	0	0
Oct	355.1	355.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	376.9	378.1	0	0
Nov	376.9	378.2	0	0
Dec	378.2	379.5	381.0	377.0
Jan	379.6	380.8	0	0
Mar	381.9	383.2	384.5	381.0
May	384.6	385.8	0	0
Jul	387.2	388.5	390.0	387.0
Sep	390.0	391.3	390.0	390.0
Dec	394.5	395.8	397.0	394.5
Jan	396.0	397.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	98.35	99.30	99.05	98.30
Nov	98.55	99.50	99.50	98.56
Dec	99.10	100.05	100.20	98.60
Jan	99.55	100.40	100.40	99.80
Feb	99.85	100.70	100.85	100.00
Mar	100.15	101.00	101.10	99.90
Apr	100.50	101.20	100.60	100.60
May	101.05	101.65	101.85	101.00
Jun	101.50	102.00	101.90	101.60
Jul	101.80	102.25	102.60	101.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	21.18	21.35	21.45	21.16
Jan	21.15	21.29	21.40	21.13
Feb	21.09	21.20	21.30	21.07
Mar	20.98	21.10	21.20	20.98
Apr	20.99	20.99	21.10	20.99
May	20.89	20.89	21.00	20.85
Jun	20.80	20.80	20.86	20.74
Jul	20.72	20.72	20.92	20.75
Aug	20.64	20.64	20.72	20.65
Sep	20.57	20.57	20.98	20.56

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	61.80	61.92	62.40	61.50
Dec	62.26	62.66	63.15	62.15
Jan	62.80	63.15	63.70	62.70
Feb	61.75	62.25	62.66	61.70
Mar	59.80	60.25	60.60	59.70
Apr	58.25	58.49	58.80	58.25
May	57.00	57.23	57.40	57.00
Jun	56.25	56.36	56.30	56.25
Jul	56.10	56.23	56.50	56.15
Aug	56.50	56.76	56.70	56.66

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	984	968	987	962
Mar	1013	1017	1035	1012
May	1045	1048	1062	1045
Jul	1075	1077	1084	1075
Sep	*1105*	*1107*	*1110*	*1110*
Dec	1141	1143	0	0
Mar	1179	1181	1187	1187
May	1208	1210	0	0
Jul	1245	1247	0	0
Sep	1253	0	1272	1256

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	66.40	65.95	66.95	65.10
Mar	67.10	67.95	68.55	66.85
May	70.15	70.70	71.40	69.80
Jul	71.50	72.20	73.00	71.45
Sep	72.65	73.40	75.00	72.55
Dec	75.10	75.55	75.75	75.10
Mar	76.65	77.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.71	8.86	8.85	8.62
May	8.80	8.91	8.90	8.73
Jul	8.83	8.93	8.90	8.77
Oct	8.85	8.92	8.90	8.76
Mar	8.89	8.96	0	0

COTTON 50,000; cents/lbs

	Latest	Previous	High/Low	
Dec	52.60	53.15	53.20	52.58
Mar	*53.12*	*53.40*	*53.60*	*0*
May	54.00	54.10	54.35	53.80
Jul	54.50	54.61	54.90	54.45
Oct	56.00	55.45	56.00	56.00
Dec	56.20	55.80	56.20	55.70
Mar	56.00	56.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	98.00	97.80	99.50	96.80
Jan	95.25	95.45	97.00	93.70
Mar	96.80	96.75	98.40	95.00
May	96.25	97.75	98.90	96.80
Jul	97.90	97.45	98.40	98.00
Sep	98.25	97.05	99.00	99.00
Nov	97.75	97.05	98.00	97.50
Jan	97.75	97.05	0	0
Mar	97.75	97.05	96.25	96.25

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 23	Oct 22	mnth ago	yr ago
1637.8	1637.4	1575.0	1669.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 22	Oct 21	mnth ago	yr ago
Spot	114.09	114.10	-	114.89
Futures	115.45	115.51	-	124.23

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

Close	Previous	High/Low

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.09	19.17	19.27	19.08
Jan	19.22	19.32	19.39	19.21
Mar	19.45	19.55	19.63	19.44
May	19.69	19.77	19.84	19.67
Jul	19.90	19.96	20.04	19.89
Aug	19.97	20.05	20.10	19.97
Sep	20.03	20.13	20.16	20.03

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	183.6	185.1	185.2	183.5
Jan	183.6	185.0	185.1	183.5
Mar	183.6	184.9	185.0	183.4
May	183.7	185.0	185.0	183.6
Jul	185.2	186.6	186.3	185.0
Aug	185.8	187.0	187.2	185.8
Sep	186.5	187.6	186.7	186.5
Oct	188.1	189.5	0	0
Dec	189.8	190.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	206/6	209/2	208/4	206/4
Mar	216/2	218/0	217/4	216/0
May	223/0	224/4	224/0	222/4
Jul	227/2	228/6	228/4	227/0
Sep	231/0	233/0	232/2	231/0
Dec	234/6	235/6	235/2	234/4
Mar	241/4	242/4	242/0	241/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	345/6	352/0	352/0	345/2
Mar	344/4	349/2	349/4	343/4
May	333/2	336/4	338/0	332/4
Jul	313/6	318/2	317/4	312/2
Sep	318/0	322/4	320/0	317/0
Dec	328/2	332/0	330/4	327/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.225	75.825	76.375	75.750
Dec	73.750	73.600	73.850	73.550
Feb	71.425	71.525	71.625	71.375
Apr	72.250	72.200	72.325	72.150
Jun	69.250	69.250	69.400	69.150
Aug	67.875	67.925	68.075	67.850
Oct	68.200	68.225	68.350	68.200

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	42.675	42.450	43.250	42.100
Dec	43.950	43.825	44.150	43.650
Feb	42.625	42.600	42.850	42.480
Apr	40.125	40.400	40.575	40.100
Jun	44.975	45.550	45.500	44.950
Jul	44.500	45.050	45.200	44.500
Aug	43.600	43.775	43.850	43.550
Oct	40.800	41.000	40.900	40.650
Dec	42.850	43.000	42.900	42.800

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	42.725	43.050	43.600	42.575
Mar	42.825	43.075	43.825	42.750
May	44.550	44.600	45.150	44.250
Jul	44.700	44.900	45.300	44.500
Aug	44.200	44.200	0	43.850

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar breaks key resistance

THE DOLLAR broke through DM1.53 against the D-Mark for the first time in two months yesterday as dealers become increasingly convinced that there will be another official cut in German interest rates, *writes James Blitz.*

All week, the market has been looking for any indication that German rates are about to ease and that the dollar is on an upward path. Yesterday was no exception.

The dollar rose to a high of DM1.5365 in European trading, partly precipitated by comments from Mr Erich Fein, the Deputy President of the Bavarian central bank, who said that the recent rise of the D-Mark has led to a reduction in inflationary pressures as import prices ease.

Central bank officials later denied that Mr Fein had specifically commented on the conditions necessary for a cut in rates. But a comment from Chancellor Helmut Kohl that tax increases would be necessary in 1995 to pay off around DM400bn of East German debt added to speculation that the Bundesbank will relax monetary policy as public spending is tightened.

The dollar closed in Europe at DM1.5310, up more than two pfennigs on the day.

Many analysts believe that the dollar will soar in the aftermath of the US election. Mr Jim O'Neill, head of research at Swiss Bank Corporation in London, noted that the currency had been bought by major investment institutions yesterday, a view echoed by several other analysts.

But the currency's moves between now and the US presidential election in ten days time are trickier to call. Mr Neil MacKinnon, chief economist at Citibank in London, says that next week's economic indicators could underline the sluggishness of economic growth. He believes that the figure for third quarter GDP in the US, due out on Tuesday, may show quarter-to-quarter growth below one per cent. He also believes that consumer confidence figures will also disappoint investors.

The Italian lira was the other currency to dominate events yesterday. The Bank of Italy gave several indications that it may be planning to re-enter the European exchange rate mechanism sooner rather than later.

First, the Bank announced that it would offer repurchase tenders in foreign currencies next week, an unusual move which underlines its belief that the lira will not depreciate. Dealers said this was compounded by the Bank's covert intervention in European markets yesterday, supporting the lira, for the first time since it left the ERM. The Bank closed the day by reducing the discount rate by 1 percentage point to 14 per cent as the lira closed at L876.1. to the D-Mark, from a previous close of 877.6.

£ IN NEW YORK

Oct.23	Latest	Previous Close
£ Spot	1.6180-1.6190	1.6245 1.6255
1 month	0.80-0.79pm	0.82 0.80pm
3 months	1.75-1.72pm	1.70 1.67pm
12 months	4.50-4.40pm	4.50 4.40pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4555	-3.57	4.80	49
Dutch Guilder	2.29193	2.21182	-3.50	4.72	46
D-Mark	2.03412	1.96565	-3.37	4.58	52
Danish Krone	7.75901	7.56381	-2.52	3.66	[illegible]
French Franc	6.82216	6.66695	-2.28	3.41	-16
Irish Punt	0.759300	0.745392	-1.83	2.94	[illegible]
Portuguese Escudo	[illegible]	176.019	-0.47	1.53	-9
Spanish Peseta	139.176	140.645	1.06	0.00	-56

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate £103.20 $64.60

POUND SPOT - FORWARD AGAINST THE POUND

Oct 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6050 - 1.6405	1.6125 - 1.6135	0.83-0.79cpm	6.03	1.76-1.72pm	4.31
Canada	2.0065 - 2.0490	2.0110 - 2.0120	0.16pm-0.04cdis	0.36	0.39pm-0.02pm	0.41

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6130	1.6049	1.5956	1.5851	1.5685
D-mark	2.4700	2.4695	2.4645	2.4560	2.4484
French Fr.	8.3575	8.3025	8.3235	8.2748	8.1961
Swiss Fr.	2.2000	2.1939	2.1909	2.1880	2.1803
Yen	196.75	195.86	194.76	193.49	190.90

FINANCIAL FUTURES AND OPTIONS

CHICAGO

LONDON (LIFFE)

PARIS

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
107	3.73	-	-	0.04	0.28	-
108	2.75	-	-	0.08	0.45	-
109	1.67	2.79	-	0.16	-	-
110	1.07	2.10	-	0.33	0.92	-
111	0.52	1.68	-	0.79	-	-
Open int	292,346	95,593	1,742	222,496	83,959	1,460

Estimated volume 57,263 † Total Open interest 697,696
† All Yield & Open interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday October 21, 1992	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	4,108,335,860	+ 2,036,799,636
Bankers Deposits	1,481,200,067	+ 66,729,471
Reserve and other Accounts	3,673,244,172	+ 199,436,761
	9,277,333,099	+ 2,302,962,867
ASSETS		
Government Securities	1,332,816,175	+ 216,305,000
Advance and other Accounts	4,199,216,768	+ 735,079,715
Premises Equipment & other Secs	3,732,979,981	+ 1,347,427,295
Notes	12,108,100	+ 4,163,987
Coin	212,075	- 13,130
	9,277,333,099	+ 2,302,962,867
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	16,127,891,900	- 4,163,987
Notes in Banking Department	12,108,100	+ 4,163,987
	16,140,000,000	
ASSETS		
Government Debt	11,015,100	
Other Government Securities	6,769,092,354	- 238,884,250
Other Securities	9,359,892,546	+ 238,884,250
	16,140,000,000	

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bnk.	8
Allied Trust Bank	9	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	9

MONEY MARKETS

Overnight at 100%

THE LIQUIDITY shortage in the sterling money market took a turn for the worse yesterday as the overnight rate in the interbank market rose to 100 per cent in afternoon trading, *writes James Blitz.*

Commercial banks were bidding painfully high levels for sterling against base rates of 8 per cent because of the shortage of cash in the system. There was general dismay at the situation, and some discount house dealers were concerned that the Bank of England has proved unable to rectify the problem by adding liquidity.

UK clearing bank base lending rate
8 per cent
from October 16, 1992

Yesterday's shortage of £1.8bn forecast by the Bank of England was the latest in a string of liquidity problems that have dogged the sterling market all week. They are partly the result of the tax collection season which the UK is now in. This forces the banks to deliver more funds to the Bank of England than they are receiving.

But the difficulties fundamentally reflect the systemic shortages which followed the Bank of England's massive intervention on the foreign exchanges in the wake of Black Wednesday.

Compounding the problem is the widespread feeling that another base rate cut is imminent. Dealers do not want to offer bills to the Bank of England at the current structure of 8 per cent base rate, because they fear that the assets will lose value if base rates are cut.

Last Friday's base rate cut in the wake of a 26-day "repo" reflecting the former structure of rates has probably undermined any interest in offering bills.

Discount house dealers said that the Bank of England did not dare to offer liquidity through a short-dated "repo" because this would be interpreted as signalling another base rate cut.

One dealer wondered whether there might be policy differences between the Treasury and the Bank of England. He could not understand why the Bank did not offer a short-dated repo accompanied by an announcement that it signalled no policy change.

The Bank provided late assistance of £400m yesterday, although this still left the system short of £350m of cash. One month money closed 1¼ percentage points above base rate, while 3 month money firmed up to 8 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should *not be reproduced without permission.*

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous *days is given with the relevant date.*

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

No. of bargains included 3361

Treasury 13¾% Stk 2000/03 - £129 129¼ 129¼ ZZ129⅝ (20Oc92)
Exchequer 10½% Stk 2005 - £113⅞
Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) - £125.075 ¼

Corporation and County Stocks

No. of bargains included 1

Birmingham District Council 11½% Red Stk 2012 - £112 (20Oc92)
Leeds(City of) 13½% Red Stk 2006 - £123½ (16Oc92)
Manchester(City of) 11.5% Red Stk 2007 - £110¾

UK Public Boards

No. of bargains included 4

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 - £92
6¾% Deb Stk 92/94 - £94¼ (16Oc92)
7¾% Deb Stk 91/93 - £99¾
10¾% Deb Stk 92/95 - £100 (21Oc92)
Metropolitan Water Southwark & Vauxhall Water Co 3% Deb Stk - £29ф
Staines Res Joint Comm 3% Gtd Deb Stk - £29ф
Port of London Authority 3% Port of London A Stk 29/99 - £70 (20Oc92)
Scottish Agric Sec Corp 14% Deb Stk 1993 - £103 (21Oc92)

Foreign Stocks, Bonds, etc–(coupons payable in London)

Lasmo PLC 7¾% Cnv Bds 2005 - £77
Leeds Permanent Building Society 10⅛% Subord Bds 1998 (Br£5000) - £105¼ (19Oc92)
Lewis (John) PLC 10½% Bds 2006 - £100¾
Lewis (John) PLC 10¼% Bds 2014 (Br£10000&100000) - £100⅝ ¾ (21Oc92)
Lloyds Bank PLC 10¾% Subord Bds 1998(Br£10000) - £107¾ ¼
Lucas Industries PLC 10⅞% Bds 2020 (Br£10000&100000) - £91¼ (20Oc92)
MEPC PLC 10¼% Bds 2003 - £94¼ ¾
12% Bds 2006 (Br £10000 & 100000) - £104⅝

Seymours Ltd 4% Cum Ptg Prf £... (19Oc92)
Southern Newspapers PLC Ord ...
Tadpole Technology PLC Ord 1... (19Oc92)
Vista Entertainments PLC Ord 5p - 0⅝
Weetabix Ltd "A" Non.V Ord 25p - £11.35

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. *Quotation has not been granted in* London and dealings are not recorded in the Official List.

Aust. Foundation Inv 77.0 (21/10)
Bank Of East Asia HK$36.5644, 36.306 (16/10)
Berjuntai Tin Dredging M$1.55 (19/10)
Forest Laboratories $36.98ф
Kulim Malaysia Ord 23.0 (21/10)
Malayan Cement M$4.90
Mogul Mining A$0.02 (20/10)
Mount Martin Gold Mines A$0.30 (21/10)
National Electronics Holdings 3.5
Niugini Mining A$2.30 (16/10)
North Flinders Mines A$3.91 (21/10)
Oil Search 27.0
Portman Mining A$1.3 (21/10)
Regal Hotels (Hldgs) HK$1.02 (21/10)
Samantha Hldgs. Berhad 47.0 (19/10)
Selangor Coconuts M$1 29 (21/10)
Storer Communications SKr151.5 (20/10)
Teck Corp'A' C$18¾ (16/10)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Policy shift momentum begins to fade

By Steve Thompson

Account Dealing Dates		
*First Dealings:		
Oct 5	Oct 19	Nov 2
Option Declarations:		
Oct 15	Oct 29	Nov 12
Last Dealings:		
Oct 16	Oct 30	Nov 13
Account Day:		
Oct 26	Nov 9	Nov 23

*New time dealings may take place from 8.30am two business days earlier.

A WEEK of high drama and big swings in sentiment in the London stock market ended with share prices still on the upward track. However, there were distinct signs that the implications of the big shifts in policy by the UK Government over the past five days, plus the easing in monetary policy by the German authorities may now be fully discounted by the equity market.

Sterling's continued strength against the D-Mark left the equity market firm yesterday, but not before the market had taken a hard look at the recent upsurge in share prices.

The equity market began the session on an extremely cautious note with marketmakers, known to have been given a rough ride during the market's recent upsurge, happy to chop their opening dealing levels as a number of the big "action" funds moved to lock in profits achieved over the past few trading sessions.

Marketmakers were keen to absorb the early selling, which filled in some of the short positions built up during the recent rise in the market. At its worst of the day the Footsie 100 index was down over 18 points. However, the steep early fall encouraged at least two large UK institutions to return to the market as hefty buyers of many cyclical stocks.

The burst of institutional buying, accompanied by general buying across the market as well as bouts of profit-taking saw the Footsie 100 advance to 2,677.0, a rise of almost 19 points, in mid-morning before it ran out of steam.

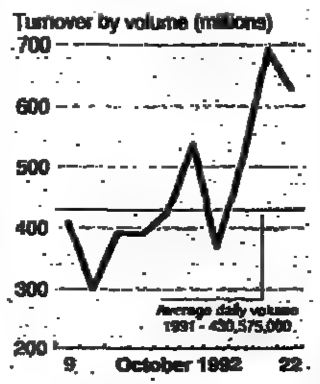
Then, activity on both the buy and sell side dwindled and the Footsie 100 drifted into negative territory during the early afternoon before rallying and moving ahead as the week drew to a close. At its final reading the Footsie 100 was 11.6 higher at 2,669.7. Over the week, it has risen 105.8 points, or 4.13 per cent.

This week, which has witnessed the fifth anniversary of the "Great Crash of 1987" has seen Mr Major's Conservative Government change course on its wholesale pit closures and economic policy. The Prime Minister's new "growth and recovery programme", coincided with an easing in Germany's monetary policy.

Turnover yesterday, despite the early burst of institutional buying, totalled 586.3m shares, well below Thursday's 727.9m and Wednesday's 850m. But traders have been heartened by this week's sustained increase in the level of retail turnover. Customer business in London on Thursday was just short of £1.3bn.

● Customer, or retail, business increased this week as institutions have responded to the Government's "dash for growth" policy.

London SE volume



Chinese concerns hit HSBC

BANKING group HSBC was one of the principal casualties in the FT-SE 100 Index yesterday. Political and technical factors conspired to leave shares in the international bank 20 lower at 480p.

The stock had spiked up sharply from just over 400p at the start of the month as the Hong Kong stock market raced up and UK investors piled into HSBC as a hedge against a weak pound. Yesterday, news that China was threatening to pull out of a deal to build a new airport on the island sent sent tremors through a number of Far Eastern stocks.

This coincided with a note from County NatWest pointing out that the Hong Kong market had reached an all-time high and it was time to take profits in selected stocks.

As a result, the HSBC ordinary shares opened 10 off and moved down steadily throughout the day attracting consistent sellers and final turnover of 6.2m shares. However, County's banking analyst Mr John Aitken said institutions who had been up to strength in Midland were left 60 per cent underweight by the HSBC takeover and were still trying to get up to strength. Cable & Wireless was also affected by the political worries and the shares fell 12 to 595p.

Shell down again

Integrated oil company Shell Transport was hit by a strong sell note. In a market that seemed to lack direction Shell shares moved sharply down at the start of trading and closed a net 6 lower at 529p with 5.9m traded.

County NatWest's oils analyst Mr Fergus Macleod, who has already issued two bearish notes on the stock this month, published an internal note that reflected a hardened opinion on the shares.

He said there were no immediate prospects for an upturn in the European petrochemicals market and Shell's P/E relative to the market is at an all-time high with the yield close to its low. He cut his 1993 profit forecast by £230m to £2.57bn and warned of further downgradings if the trend continues.

Interest was revived in the tour operators on two counts. First, leading charter airline Dan Air announced a takeover and then the recent persistent bid talk in the sector resurfaced. The takeover and restructuring of Dan Air by British Airways takes some one million seats out of the charter market, according to analysts. They say it boosts, among others, the integrated tour groups Airtours and Owners Abroad, both of which maintain their own airlines. They were also lifted by the publication of figures which showed bookings for next year 10 per cent ahead on the same period a year ago.

Sources close to Owners yesterday denied a story that the group was considering a management buy-out and confirmed that negotiations with German holiday group LTU were continuing. LTU is said to be interested in a substantial stake in Owners, Britain's second biggest tour operator. Airtours, also a rumoured predator, is known to be monitoring the situation. The renewed talk, together with the Dan Air and booking news, lifted Airtours 13 to 225p. Owners was steady at 74p.

BA eased 4 to 305p. However, one analyst said the move was good for BA as it "is not very dilutive, and it strengthens BA's position at Gatwick and its European feeder services."

In a strong hotel sector, Stakis was the best performer on suggestions that it was considering the flotation of its nursing homes subsidiary. Another version had a management buy-out as favourite. Either way, the company, which has debts of some £180m, would hope to raise upwards of £50m. Recent institutional presentation were also said to have been well received. The shares rose 5½ to 32½p. Queens Moat gained 3 to 38p in large turnover of 9.1m, the top traded stock of the day. Forte added 5 to 179p on raised hopes that its Gardner Merchant subsidiary may soon be sold. Compass Group, which failed in its bid for the catering group, has renewed its interest. The shares rose 7 to 442p.

ICI fell 20 to 1047p as nervousness grew ahead of third quarter figures next Thursday. Hoare Govett reaffirmed a cautious stance on the stock saying the industrial outlook continues awkward in the light of deteriorating industrial figures and profit estimates are still on the high side.

News that the government's Health and Safety Executive is to prosecute industrial chemicals group Allied Colloids following a fire in July at the company's raw materials warehouse hit the shares which fell 8 to 212p.

Vodafone rose 6 to 377p, helped by an upgrade from UBS Phillips & Drew. The house is looking for £310m this year, up from £295m, impressed by the response to the telecoms group's new 'Low Call' service and the stimulus it has provided to the rest of its services.

Reuters Holdings bounced 21 to 1223p following an international conference call on Thursday night by the chief executive. S.G. Warburg was encouraged by what it saw as veiled good news and told clients to look for buying opportunities. However, there is a definite two-way pull on the stock and agency broker James Capel sees no reason to change its view that the stock is overrated.

SG Warburg was positive on Carlton Communications. The shares lifted 7 to 725p.

Thames Television rose 5 to 174p on reports that Silvio Berlusconi's Fininvest could become a leading shareholder in the company's Channel 5 bid.

A recommendation from Smith New Court to take profits in the short-term in Tate & Lyle held back the shares which retreated 11 to 357p. The broker also moved to a buy in Unigate as a good yield stock. The shares fell back 5 to 263p. Hanson's bid document for RHM caused little stir with most brokers still advising clients to wait for an improved offer. RHM rose 2 to 249p, Hanson edged forward a penny to 233p.

Shares in BM Group climbed 7 to 77p, boosted by a favourable analysts visit to the company on Thursday. A shortage of stock left Hunting 8 better at 163p. Profit-takers gained the upper hand in GKN and early gains were surrendered to leave the shares only a penny firmer at 415p. Lucas Industries was in demand and closed 2 up at 107p.

A profits downgrading said to have come from Kleinwort Benson knocked Ocean Group. The shares fell 15 to 189p.

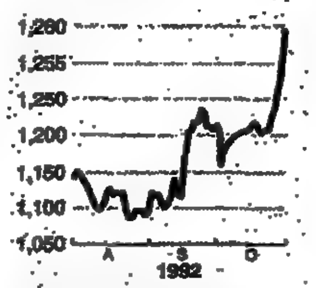
Fears over Hong Kong hurt several other stocks. These included Inchcape which derives a substantial part of its revenue from the territory. It fell 14 to 504p, in trade of 2.1m, while shares in Trafalgar House, a member of the consortium building a bridge that is part of the airport project, eased a penny to 87½p, on the same worries.

Wellcome, which is to publish full-year figures on Wednesday improved 9 to 991p, following recent US profit-taking.

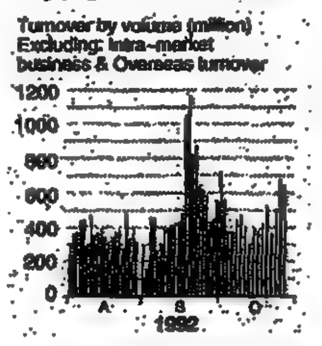
MARKET REPORTERS:
Christopher Price
Peter John
Joel Kibazo

■ Other market statistics, Page 9

FT-A All-Share Index



Equity Shares Traded



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (78).
BRITISH FUNDS (10) Tr. 13pc '00, Cv. 9½pc '01, Tr. 9¾pc '02, Tr. 10pc '03, Cv. 9½pc '04, Cv. 9½pc '05, Tr. 12½pc '03-05, Tr. 8pc '02-06, Tr. 11¾pc '03-07, Tr. 13½pc '04-08, OTHER FIXED INTEREST (2) Met. Water 3pc B, Utd. Mex. States 16½pc '08, AMERICANS (6) Chrysler, Dana, Eaton, Ingersoll-Rand, Pall, BANKS (1) NatWest, BREWERS & DISTILLERS (1) Holt (J), BUSINESS SERVICES (2) Cattles, Serco, CHEMICALS (1) Engelhard, CONGLOMERATES (1) Wassall, ELECTRICALS (2) Johnson, Marrier-Smith, ELECTRONICS (1) Racal, ENGINEERING GENERAL (1) FKI, FOOD RETAILING (3) Kwik Save, Morrison (Wm), Sainsbury, HEALTH & HOUSEHOLD (1) Astra, HOTELS & LEISURE (1) Granada, INSURANCE COMPOSITE (2) Comm. Union, Gen. Accident, INSURANCE LIFE (2) Lincoln Natl., Prudential, INVESTMENT TRUSTS (36) Abtrust New Dawn Wts., Do Wts B., Alliance Tst., EFM Dragon Wts., Fmg. American Cv. '99, Gen. Cons. Stppd. Pf., Henderson Euro. Zero Pf., I & S Optimum Inc. Zero Pf., Independent, Jupiter Euro. Zero Pf., Kleinwort High Inc. Zero Pf., Kleinwort O'seas., Malacca Fund, Murray Split Cap. Zero Pf., New Zealand Inv., Nth. American Gas., Do. Wts., RIT Capital 2½pc Cv. '00, River & Merc. Stppd. Pf., Scot. Asian, Scot. Natl. Stppd. Pf., Do Zero Pf., Siam Fund., Sth. East Asian Wts., Spanish Smllr. Co's. TR Tech. Zero Pf., Thai Euro., World Tst., MEDIA (3) Flextech, Metal Bulletin, News Intl., MISCELLANEOUS (2) BAT Inds., Do 12¼pc Uns. '03-05, Rothmans, OIL & GAS (2) Pict. Total, OTHER FINANCIAL (1) Provident Fincl., OTHER INDUSTRIAL MATERIALS (1) Optometrics, TRANSPORT (1) CSX, MINES (1) Mount Burgess.
NEW LOWS (31).
AMERICANS (1) IBM, BUSINESS SERVICES (5) Bridgend, Brooks Serv., Christie, REA, Wetpac, CHEMICALS (1) Leigh Ints., CONTRACTING & CONSTRUCTION (6) Barcom, Barrs, CRP, Jarvis, Shorco, Vibroplant, ENGINEERING GENERAL (2) Wyle, Tordey & Carlisle, FOOD MANUFACTURING (1) Northumbrian, INVESTMENT TRUSTS (2) Martin Currie Euro. Wts., Throgmorton Dual Inc., MEDIA (1) Metro Radio, METAL & METAL FORMING (1) Cook (Wm), MISCELLANEOUS (3) Assoc. Brit. Consultants, Excalibur, Levercrest, MOTORS (1) DAF, OIL & GAS (2) Intl. Petroleum, Nth. Sea Assets, OTHER FINANCIAL (1) Baltic 7pc Cv. Pf., PROPERTY (2) Fletcher King, Olives, TEXTILES (2) Pepe, Wensum.

RISES AND FALLS YESTERDAY

	On Friday			On the week		
	Rises	Falls	Same	Rises	Falls	Same
British Funds	52	9	16	294	59	32
Other Fixed Interest	10	3	2	42	12	21
Commercial, Industrial	346	191	885	1,857	984	4,265
Financial & Property	185	137	484	1,356	406	2,270
Oil & Gas	23	15	47	129	72	224
Plantations	0	0	9	5	2	38
Mines	18	15	114	193	69	473
Others	34	52	22	272	161	98
Totals	668	422	1,579	4,148	1,765	7,421

FT-SE Actuaries Share Indices — THE UK SERIES

	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2669.7	2658.1	2645.7	2617.0	2582.2	2558.5	2737.8	2281.0	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Mid 250	2505.9	2494.6	2484.2	2410.4	2380.3	2522.4	2825.8	2157.8	2825.8 (20/5/92)	1379.4 (21/1/86)
FT-SE-A 350	1284.3	1278.7	1270.8	1254.3	1230.1	1243.5	1342.7	1103.1	1342.7 (11/5/92)	664.5 (14/1/86)

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/Day	Low/Day
FT-SE 100	2643.2	2648.6	2663.4	2670.8	2661.1	2656.8	2669.0	2670.8	2669.2	2677.0	2639.9
FT-SE Mid 250	2489.2	2490.6	2498.0	2504.5	2501.3	2499.1	2502.7	2504.9	2504.8	2505.9	2488.8
FT-SE-A 350	1272.4	1274.6	1280.9	1284.6	1280.5	1278.6	1283.7	1284.6	1284.0	1286.9	1271.1

Gross dividend yield (ACT at 25%) FT-SE 100 4.50%

FINANCIAL TIMES EQUITY INDICES

	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Year ago	* High	* Low
Ordinary share	1981.7	1969.8	1951.3	1912.9	1867.2	1981.3	2149.7	1670.0
Ord. div. yield	4.59	4.61	4.63	4.70	4.80	4.91	5.34	4.24
Earning yld % full	6.57	6.59	6.62	6.72	6.86	7.59	-	-
P/E ratio net	19.29	19.29	19.19	18.91	18.52	16.53	20.64	15.79
P/E ratio nil	17.93	17.93	17.84	17.58	17.21	15.61	-	-
Gold Mines	78.3	74.8	74.4	71.2	69.1	169.6	160.6	65.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71 Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share Hourly Changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/Day	Low/Day
1959.6	1967.1	1975.7	1983.7	1978.2	1973.6	1982.3	1983.1	1978.6	1987.4	1957.6

Volume	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Year ago
SEAQ Bargains	28,311	29,844	32,243	25,321	22,351	24,863
Equity Turnover(£m)†	-	1295.7	1543.1	1122.4	881.2	714.55
Equity Bargains†	-	34,315	38,344	27,699	26,619	23,290
Shares traded (mil)†	-	627.3	891.9	508.4	366.3	374.6

† Excluding intra-market business and overseas turnover.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	9	495	+8
ASDA Group	10,000	41	-1
Abbey National	4,400	390	-1
Albert Fisher	16,000	49	-1½
Allied-Lyons	1,800	560	+1
Amstrad	1,200	25	+1
Anglian Water	985	438	+2
Argos	635	271	+8
Argyll Group	1,400	305	+5
Arjo Wiggins	1,300	170	+4
[illegible]	[illegible]	[illegible]	[illegible]
Bowater	485	891	-1
Brit. Aerospace	862	338	+3
British Airways	2,400	305½	-3½
British Gas	9,100	228	+6
British Land	830	185	-8
British Steel	11,000	60½	
Bunzl	2,800	162	
Burmah Castrol	383	688	+4
Burton	6,800	44	-1
Cable & Wire.	3,500	695	-12
Cadbury Schweppes	2,800	480	+10
Calor Group	239	217	+1
Carlton Comms.	822	725	+7
Coats Viyella	935	207	-1

	Volume 000's	Closing Price	Day's change
Comm. Union	1,800	585	+8
Cookson	81	161	-2
Courtaulds	820	487	+8
Dalgety	881	428	+3
De La Rue	193	888	-8
[illegible]	1,800	223	
Eastern Elec.	1,800	374	+6
East Midland Elec.	1,800	376	+5
Eng China Clays	792	438	+10
Enterprise Oil	539	444	+5
[illegible]	[illegible]	[illegible]	[illegible]
Hillsdown	2,800	164	+8
IMI	1,600	304	
ICI	2,900	1047	-20
Inchcape	2,400	504	-14
Kingfisher	800	545	+11
Kwik Save	286	719	+14
Ladbroke	3,900	167	+4
Land Securities	1,400	413	-7
Laporte	243	688	+14
Legal & General	2,800	378	-10
Lloyds Abbey	1,400	391	+4
Lloyds Bank	8,900	452	+18
LASMO	2,100	166	-5
London Elec.	526	401	+8

	Volume 000's	Closing Price	Day's change
Lonrho	1,800	73	+8
Lucas	2,800	107	+2
MB Caradon	280	282	+5
MEPC	1,100	312	-11
[illegible]	811	448	-1
Marks & Spencer	4,000	343	+8
Midlands Elec.	1,200	404	+1
NFC	980	265	+1
NatWest Bank	8,300	387	+12
National Power	8,200	250	+3
Next	1,400	105½	+½
[illegible]	[illegible]	[illegible]	[illegible]
Reuters	985	1223	+21
Rolls Royce	1,800	131½	+3
Rothmans	418	655	+30½
Ryl Bk Scotland	5,800	172	+8
Royal Insurance	5,000	215	-1
Saatchi	81	150	
Sainsbury	2,400	485	+1
Scottish & New.	804	433	+8
Scot. Hydro-Elec.	143	219½	
Scottish Power	2,400	102	+2
Sears	2,400	91	+1
Sedgwick	2,800	160	+8
Seeboard	167	394	-1
Severn Trent Water	2,000	484	+2

	Volume 000's	Closing Price	Day's change
Shell Transport	5,900	529	-6
Siebe	2,600	548	
Slough Ests	379	119	-8
Smith (W.H.) A	551	471	-1
Smith & Nephew	1,400	151½	+3½
SmKl Beecham	2,200	507	-7
SmKl Beecham Uts	835	447	-9
Smiths Inds.	158	321	-1
Southern Elec.	3,300	380	+4
South Wales Elec.	431	482	+6
South West Water	479	454	+5
[illegible]	[illegible]	[illegible]	[illegible]
United Biscuits	1,500	328	-1
Utd. Newspapers	809	482	+10
Vodafone	2,800	377	+6
Warburg (SG)	185	592	-7
Wellcome	577	991	+9
Welsh Water	730	488	+4
Wessex Water	131	538	-4
Whitbread 'A'	888	452	+5
Williams Hldgs.	1,400	305	+11
Willis Corroon	2,000	214	+8
Wimpey	318	104	-3
Wolseley	888	497	-1
Yorkshire Elect.	892	486	+8
Yorkshire Water	1,000	487	+3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE LAST day of an otherwise busy week in the derivatives turned out volatile as political worries and optimism about a cut in UK base rates each took their turn in a session where volume returned to more modest levels, writes Joel Kibazo.

Having opened at 2,681, the December contract on the FT-SE edged higher before political worries led to a brief retreat. When talk of an interest rates cut once again started to appear, buyers sent it upwards to reach the day's high of 2,724 mid-morning.

Late morning profit-taking was followed by renewed demand and the firm early performance on Wall Street helped to underpin buying in the afternoon when December traded in a range 2,700 and 2,720. As has been the case through out the week, the contract traded at a good premium to cash for the whole session though dealers said arbitrage was reduced. December finished at 2,721, on turnover of 7,334.

Traded options remained dull with volume reaching only 24,902 lots. Around 10,830 contracts were dealt in the FT-SE 100 contract, while HSBC was the most active stock option.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.7511	-0.593	8.82	8.79	9.11
BELGIUM		8.750	06/02	103.8900	+0.095	8.14	8.28	8.68
CANADA *		8.500	04/02	101.0500	+0.100	7.80	7.91	7.93
DENMARK		9.000	11/00	100.6750	+0.140	8.87	9.32	9.62
FRANCE	BTAN	8.500	03/97	101.2889	+0.359	8.11	8.65	8.76
	OAT	8.500	11/02	102.0400	+0.460	8.18	8.44	8.62
GERMANY		8.000	07/02	104.5350	+0.470	7.31	7.38	7.46
ITALY		12.000	06/02	92.1450	+0.830	13.94†	14.78	14.00
JAPAN	No 119	4.800	06/99	100.5324	+0.127	4.69	4.71	4.82
	No 145	5.500	03/02	104.7047	-0.139	4.78	4.86	4.80
NETHERLANDS		8.250	09/02	104.4800	+0.150	7.57	7.65	7.83
SPAIN		10.300	06/02	88.8000	-0.300	12.32	13.23	12.69
UK GILTS		10.000	11/96	108-25	+4/32	7.16	7.73	8.54
		9.750	08/02	110-01	+21/32	8.28	8.52	8.99
		9.000	10/08	101-17	+30/32	8.82	8.97	9.19
US TREASURY *		6.375	08/02	97-08	-1/32	6.77	6.82	6.51
		7.250	08/22	95-16	-2/32	7.63	7.54	7.48
ECU (French Govt)		8.500	03/02	98.6000	+1.050	8.71	9.10	9.24

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday 23rd October 1992

Water	+	38.14
Banks	+	28.58
Other Industrials	+	21.91
Electronics	+	20.74
Food Retailing	+	20.40
Media	+	17.94
Textiles	+	15.98
Electricity	+	15.11
Insurance (Composite)	+	12.10
Other Groups	+	11.73
Financial Groups	+	11.71
Motors	+	11.13
Stores	+	10.86
Telephone Networks	+	9.88
Transport	+	9.01
Insurance(Life)	+	8.76
Merchant Banks	+	8.65
Conglomerates	+	6.89
Industrial Group	+	6.60
All-Share Index	+	5.97
Packaging and Paper	+	5.65
500 Share Index	+	5.18
Capital Goods	+	4.65
Consumer Group	+	3.86
Investment Trusts	+	2.86
Brewers and Distillers	+	2.13
Food Manufacturing	+	1.49
Business Services	+	1.48
Metals and Metal Forming	-	0.08
Engineering-General	-	0.45
Health & Household Products	-	4.81
Oil & Gas	-	4.61
Chemicals	-	4.59
Hotels & Leisure	-	6.93
Electricals	-	9.83
Engineering-Aerospace	-	12.23
Building Materials	-	14.93
Insurance Brokers	-	21.15
Property	-	25.75
Contracting, Construction	-	27.36
Gold Mines Index	-	44.67

COMMODITIES

WEEK IN THE MARKETS

Coffee price rally back in gear

THE COFFEE market engaged forward gear again this week after consolidating the substantial gains achieved at the beginning of the month. At the London Futures and Options Exchange the January robustas contract was yesterday pushed through the psychologically important $900-a-tonne level to close at an eight-month high of $903 a tonne, up $47 on the week.

Prices were down in both London and New York on Monday but the following day saw technically-inspired gains in New York's arabica market help London's robusta contract to regain its recent six-month high of $868 a tonne in the January position.

That milestone was quickly passed as traders enjoyed what one called "a total turnround in market sentiment". That was attributed chiefly to the smaller crop in Brazil, the biggest producer, which last week said it had exported only 1m bags (60 kg each) in September, compared with 1.6m in September 1991.

Resistance appeared on Thursday when the $900 was approached, but as that level was breached yesterday a few stop-loss buying orders were triggered and the January price moved on to $905 a tonne. Long-liquidation pushed it below $900 again, but the buyers were not to be out-done and soon had it back close to the highs.

The changed mood of the market was well illustrated by one dealer's comment to the Reuter news agency yesterday. "We could see a 2 or 3 cent setback [equivalent to $44 to $66 a tonne]," he said, "but it would be good for the market; we'd get rid of some short-term longs and then we could build again."

This optimism has even extended to expectations of the next round of talks on renegotiating the International Coffee Agreement, scheduled for the end of next month.

The achievements of talks held so far have been far from impressive – the kindest thing one New York analyst could find to say at the conclusion of the September round was: "At least they [producer and consumer delegates] didn't strangle each other like they did in July". But one London trader suggested this week that the recent price recovery might encourage delegates to redouble their efforts to thrash out an accord. "They won't want to let go the ground we have gained under such difficult circumstances," he said.

Cocoa prices also made good ground, with London's March futures position gaining £29 on the week to £709 a tonne. The upturn began on Monday, helped by the pound's weakness, but the key development was a "chart reversal" in New York on Monday night.

Dealers noted that the advance was being held back by "scale-up selling" but thought the market was "in for a good run" once that dried up. "It looks like the manufacturers have probably bought from the trade more [Ivory Coast cocoa] than currently seems to be available," one said yesterday. The Ivory Coast is the biggest producer but has recently been holding back supplies from the market.

The annual London Metal Exchange Week began pretty dismally with copper dipping on Monday to a 4½-month low, zinc to an eight-month low and aluminium to a nine-month low. Nickel, meanwhile, was uncomfortably close to a 31-month low.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+16,375	to 1,411,075
Copper	+2,075	to 307,150
Lead	-300	to 181,475
Nickel	+1,374	to 55,080
Zinc	+1,150	to 377,575
Tin	-20	to 14,720

By last night's close the only LME metal showing a gain on the week was copper – up £31.50 at £1,383 a tonne for cash - and that was entirely due to sterling's decline against the US dollar.

The week's most substantial decline was in cash zinc, which fell by $31.50 to $1,109 a tonne as flagging sentiment was further undermined by Chinese liquidation. Tin was another big loser, cash metal ending $77.50 down at $5,877.50 a tonne.

But perhaps the most disappointing performer was aluminium. Early in the week news of a 600-tonne rise in average daily output between August and September, which came as no surprise, was outweighed by bullish technical factors. But the rise later in the week that followed an announcement by VAW, the German metals group, that it was cutting its aluminium output by 105,000 tonnes to about 300,000 tonnes a year was quickly snuffed out by long liquidation.

The LME announced yesterday that stocks of aluminium in its registered warehouses had grown by another 16,375 tonnes, which underlined the need for further substantial production cuts to bring the market back into balance, at least in the short term.

Richard Mooney

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Grofund American	5	139.8	139.3	142.4	-1.70	0.00
AIB Grofund Equity	5	184.7	187.3	198.3	+1.20	1.76
AIB Grofund Euro	5	136.7	139.0	146.3	+0.50	0.41
AIB Grofund Gilt	3	74.14	74.16	76.46	+0.01	5.59
AIB Grofund Japan	5	118.6	120.0	126.3	[illegible]	[illegible]

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
General Inc	5	370.3	372.7	396.5	-1.5	3.31
General Acc	5	403.2	405.0	431.6	-1.6	3.31
UK Growth Acc	6	272.4	276.9	294.6	-0.9	3.73
UK Growth Inc	6	195.4	198.6	211.3	-0.7	3.73
Higher Inc Acc	6	462.9	471.3	501.4		5.27
Higher Inc Inc	6	285.4	290.6	309.2		5.27
Gilts/F Int Acc	5½	165.4	165.4	174.8	+0.2	7.14
Gilts/F Int Inc	5½	89.10	89.10	94.21	+0.15	7.14
Nth America	6	211.4	216.3	230.2	-0.5	0.00
Far East	6	221.6	221.6	235.6	-1.6	0.47
Europe	6	191.5	191.5	203.8	-0.7	0.90
Brit Excels	6	55.96	55.96	59.54	-0.17	3.76
Brit Fndmtls Acc	6	70.95	70.95	75.40		6.08
Brit Fndmtls Inc	6	55.69	55.69	59.25		6.08
Global Opps	6	54.49	57.27	60.93	-0.1	0.62

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

[illegible]

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Balanced Growth	6	79.22	80.29	85.87	-0.11	2.40
Do (Accum)	6	86.50	87.66	93.75	-0.15	2.40
Smaller Cos	6	59.30	59.30	63.43	+0.04	2.61
Do (Accum)	6	63.34	63.34	67.74	+0.04	2.61
Higher Yield	6	31.40	31.40	33.58	-0.03	5.57
Do (Accum)	6	42.44	42.44	45.39	-0.05	5.57
American Gth Inc	6	42.41	42.63	45.59	-0.26	0.16
Do (Accum)	6	43.21	43.44	46.46	-0.26	0.16
European Growth	6	84.42	84.42	90.29	+0.07	2.09
Do (Accum)	6	85.20	85.20	91.13	+0.08	2.09
Global Bond Inc	6	27.14	27.18	28.85	+0.02	5.11
Do (Accum)	6	32.52	32.56	34.57	+0.02	5.11
Managed P'folio Inc	6	27.44	27.51	29.43	-0.04	0.00
(Do Accum)	6	27.51	27.59	29.51	-0.04	0.00
Pacific Growth Accm	6	74.31	75.06	80.25	+0.02	1.03
Intl Spec Opps Accm	6	63.46	64.41	68.89	[illegible]	[illegible]

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412202

[illegible]

Bryceourt Unit Tst Mngmt Ltd (1400)F

[illegible]

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Curr	5	116.40	116.70	122.80	+0.40	6.25
Pooled Pension §	3½	134.8	139.2	144.0		–
Smaller Cos	5	50.44	52.21	54.96	+0.39	2.73
UK General	5	107.20	108.80	114.50	+0.20	2.66
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	341.7	341.7	362.20	-1.18	5.69
Global Inc	5	48.49	48.49	51.40	-0.28	4.73
Brit. Leaders	5	291.78	291.78	309.29	-0.87	3.30
Intl Leaders	5	156.65	156.65	166.05	-0.52	1.98
F As Mar Bal Cash Accy	3½	46.83	47.52xd	49.37	+0.33	4.33
F As Mar Bal Cash Inc	3½	46.83	47.52xd	49.37	+0.33	4.33
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	44.58	44.60xd	47.51	+0.06	2.09
Far Eastern Tst	6	50.75	51.09	54.34	+0.27	0.91
Smaller Cos	5	106.4	110.8	117.8	+0.9	3.07
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American §	5	239.6	240.0	254.0	+2.1	0.93
S & W Capital	5	103.7	103.7	111.1	+0.5	2.00
S & W Cash §	0	100.72	100.72	100.72	+0.02	9.47
S & W European	5	101.0	101.4	107.5	...	1.47
S & W Far Eastern	5	104.1	104.8xd	110.9	+1.5	0.11
S & W Growth	5	112.6	113.7xd	120.2	+0.6	1.69
S & W Income	5	94.80	96.1xd	101.7	+1.0	5.86
S & W Managers	5	109.7	109.7	117.7	+0.4	1.92
S & W Smllr Secs	5	238.5	243.6xd	257.7	+1.1	1.17
S & W Thoroughbred	5	126.6	126.6xd	135.8	+0.8	1.61

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	83.36	83.36	85.29	-0.51	0.00
Short Dtd Gilt	1¼	106.4	106.4	107.8	+0.1	1.93
U.S. Govmnt Bond	1¼	$0.7009	0.7009	0.7101	+0.008	0.00
Gilt Income	4	51.12	51.12xd	53.19	+0.11	9.30
Gilt Growth	4	62.55	62.55	65.12	+0.20	0.00
City Reserve	0	54.90	54.90	54.92	+0.00	10.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 398046						
Stockmarket Fd F	5	58.91	59.10	62.87	+0.26	2.82

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Oct 21	606.9	627.4	...	1.11
James Capel Fund Managers Ltd				
Managed Exempt	£116.696	120.397	+0.165	4.53
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90	...	5.69
Fxd Int Sec Sep 30	144.40	145.00	...	10.00
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare‡‡ (1000)F				
39 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	172.9	175.0	+0.20	9.37
Charinco Acc	989.9	1001.6	+0.70	9.37
Charishare Inc	170.6	174.6	+0.60	4.53
Charishare Acc	216.4	221.2	+0.80	4.53
CAFINVEST–Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				
Balanced Growth	57.30	59.19	....	4.22
Income	57.28	58.34	....	7.54

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Guardian Royal Exchange–Contd.				
GRE Linked Life Assurance Ltd				
Managed Initial	362.3	381.3	+1.4	–
Do Accum	492.6	518.5	+2.0	–
Equity Initial	526.3	554.0	+2.7	–
Do. Accum	715.6	753.3	+3.8	–
Fixed Interest Acc	514.3	541.4	+0.8	–
International Acc	477.5	502.7	+2.5	–
North American Acc	182.7	192.9	+0.4	–
Pacific Acc	223.7	235.5	+2.5	–
Legal & General–Contd.				
Exempt Intl. Initial	200.7	211.3	-0.3	–
Do. Accum	297.8	313.5	-0.5	–
Exempt Mngd. Init.	629.5	662.7	-1.3	–
Do. Accum	1041.1	1095.9	-2.4	–
Exempt N. Amer. Init.	198.7	209.2	-1	–
Do Accum	252.7	266.0	-2.2	–
Exempt Prop. Init.	279.5	294.3	+0.1	–
Do Accum	462.3	486.7	+0.2	–
Sp. Deposit Init.	229.2	241.3	.....	–
Midland Life Limited				
Norwich Hse, Commercial Rd, Southampton 0703 229929				
Adventurous Fd	58.1	61.2	+0.2	–
Balanced Fd	68.2	71.8	..	–
Defensive Fd	70.2	73.9	–	–
Secure Fd	68.2	71.8	–	–
UK Equity Fd	75.5	79.5	–	–
International Fd	59.0	62.2	+0.2	–
Money Market Fd	69.2	72.9	+0.1	–

Continued on next page

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Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	596.7	634.8	+2.0	-
Adventurous Mngd	141.1	150.2	+0.3	-
Cautious Mngd	115.5	122.9	+0.2	-
Cash Fd	312.3	329.1	+0.5	-
Property Fund	216.8	230.7	...	-
Equity Fund	672.7	715.7	-0.4	-
Fxd. Int. Fund	380.2	400.7	+1.2	-
International	303.6	323.0	-0.6	-
High Income	524.3	557.8	+3.5	-
Far East	410.4	436.6	-2.2	-
North American	372.5	396.3	-0.4	-
Special Sits.	479.2	509.8	+4.4	-
Technology	366.6	390.1	-1.9	-
Extra Inc Fd.	285.4	303.7	+2.4	-
Convertible & Gilt Fd.	136.0	144.7	+0.9	-
American Income	157.5	167.6	-0.2	-
Gilt Fund 20	434.7	462.5	+1.4	-
European Fund	110.1	117.2	+0.9	-
Pref & Fixed Int.	100.7	107.2		-
UK Blue Chip	109.4	115.3	+0.6	-
Recovery Fund	98.8	104.2	+0.8	-
Equity Income Dist.	95.2	101.3	+0.6	5.25
Managed Dist.	90.6	96.4	+0.4	5.55
High Yield Dist.	96.6	101.8	+0.1	7.86
Pension Funds				
Balanced Gth Mgd Pens Acc	684.7	720.8	+3.8	-
Adventurous Mngd Pens Acc	146.0	153.7	+0.5	-
Cautious Mngd Pens Acc	131.5	138.7	+0.3	-
Building Soc. Acc.	358.7	377.6	+0.5	-
Property Pens. Acc.	294.3	309.8	...	-
Fix. Int. Pens. Acc.	590.6	621.7	+0.1	-
Equity Pens. Acc.	851.2	896.0	+4.2	-
International Pens Acc.	277.0	291.6	-0.6	-
High Inc Pens Acc.	584.4	615.2	+4.7	-
Tech Pens Acc.	254.0	267.4	-1.5	-
N American Pens Acc.	276.4	291.0	-0.6	-
Far Eastern Pens Acc.	403.1	424.4	-1.5	-
Special Sits Pens Acc.	392.3	412.9	+3.0	-
Extra Income Pens Fd	347.3	365.6	+2.9	-
Convertible & Gilt Pen.	166.0	174.8	-0.4	-
American Inc Pens.	176.1	185.4	+1.1	-
European Pens.	122.2	128.7	+0.9	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	165.8	174.5	...	-
Equity Acc Fd	372.7	392.2	+1.2	-
Managed Acc Fd	327.1	344.4	+13.6	-
Prop Fd (1st Issue)	-	570.1	...	-
Prop Acc Fd (2nd Iss)	119.7	126.0	+5.1	-
Unit Trust Mn. Fd.	142.7	150.2	+8.6	-
RL Pension Funds				
Deposit Acc.	239.7	252.3	...	-
Equity Acc.	270.5	284.7	+0.9	-
Fixed Int Acc.	241.8	254.5	+7.5	-
Gilt Indx Lnk Acc.	182.8	192.4	+5.7	-
Managed Acc.	354.0	372.7	+16.4	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6800

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	104.7	110.3	+0.70	-
JRA/Scottish Amicable Mngd	100.1	105.4	+0.70	-
JRA/S James Place Mngd	105.9	111.5	+0.30	-
Deposit	98.70	103.9	...	-
Far East	109.4	115.2	+1.30	-
Gilts	102.1	107.5	+0.10	-
Greater European	105.3	110.9	...	-
North American	111.1	117.0	-1.60	-
UK Equity	103.4	108.9	+0.80	-
Pension Funds				
JRA/M&G Managed cap.	102.0	107.4	+0.80	-
JRA/M&G Managed acc.	104.7	110.3	+0.80	-
JRA/Scottish Amicable Mngd cap	96.60	101.7	+0.90	-
JRA/Scottish Amicable Mngd acc	99.10	104.4	+0.40	-
JRA/S James Pl Mngd cap	107.1	112.8	+0.60	-
JRA/S James Pl Mngd Acc	110.0	115.8	+0.60	-
Deposit cap.	98.80	104.1	...	-
Deposit acc.	101.5	106.9	...	-
Far East cap.	105.9	111.5	+1.60	-
Far East acc.	108.7	114.5	+1.60	-
Gilts cap.	100.5	105.8	+0.10	-
Gilts acc.	103.1	108.6	+0.10	-

Sun Alliance Group—Contd.

Albany International Assurance Ltd

St Mary's, Castletown, Isle of Man 0624 823262

Target International Group

Adams & Neville Fd Mnmgt (Guernsey) Ltd

PO Box 255 St Peter Port Guernsey CI 0481 710651

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Lazard Fund Managers (CI) Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Fund Managers (IoM)				
Intl. Inc.*	16.1	17.1	+0.1	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Dlr Gaxd Cur NAV Oct 21		$16.51	—	—
Paragon Plus Red Oct 1		£9.17	—	—
Paragon Stlg Red Oct 1		£10.60	—	—
SE Asian Wnt NAV Oct 22		$10.16	—	—
Govett Mgd Ftrs Oct 21	£13.48	15.18	—	—
Govett Mngd Ftrs Oct 21	109.94	10.88	—	—
Mkt Horizons Inc Oct 22		$13.57	—	—
Mkt Horizons Inc Wts Oct 22		$6.23	—	—
Dlr Geared Bd Oct 23		$7.86	—	—
IBI Global Funds Limited				
Intl Stlg Gwth	£19.13	20.14	—	—
Intl $US Gwth	$17.48	18.51	—	—
High Income Gilt	£25.39	26.32	—	—
International Equity	£19.12	20.14	—	—
International Bond	£22.04	22.85	—	—
Managed Currency	£26.92	27.20	—	—
Sterling Currency	£26.24	26.51	—	—
US$ Currency	$37.66	38.05	—	—
Irish £ Currency	I£14.94	15.10	—	—
Target International (Isle of Man) Ltd				
IMG Offshore Fd	£8.48	9.13	—	—
B.F Offshore Inc Fd Ltd	£11.58	11.66	—	—
Nelson Miles WW S/S	£8.77	9.14	—	—
LFM Sterling Fd	£10.92	11.38	—	—

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated				
Sterling Denominated Income Funds				
American Equity Inc.	£1.624	1.743xd	-0.022	2.59
Japan Inc & Gwth	£2.362	2.482	-0.006	1.60
Sterling Denominated Growth Funds				
Capital Growth	£37.61	37.62		—
European Perform.	£0.4172	0.4481xd	+0.002	—
Far East	£2.368	2.535	-0.021	—
Pioneer Markets	£3.374	3.628		—
UK Growth	£1.153	1.240	+0.010	2.20
E Ring Portfolio	£1.504	1.626	+0.001	—
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0.650	0.699	+0.004	—
Japan Performance	$2.043	2.197	-0.008	—
Gtd NW 1994 **	$9.10	—	...	—
MIM London Agents				
Apollo Fd Oct 21*	SF778.00	83.72	...	—
*Weekly Dealing. †Fortnightly Dlng. **Monthly Dlng.				
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds World Inv Port.	£2.400	2.520xd	...	1.18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (J)	£9.83	9.89xd	-0.01	9.52
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Oct 22	$13.71	14.00xd	...	2.06
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	55.0xd	—	8.16
UK Equity Fd (z)	207.7	221.0	+0.01	2.90
*Intl Bond Fd	97.9	101.0	—	7.53
**Natural Resources Fd	110.2	117.0	—	0.43
*Sterling Mngd Asset Fd	526.4	555.0	—	5.00
*Sub. day every Thurs. **Sub. day monthly 5th and 20th				
NatWest TrustCo Currency Fund (z)				
Dollar Class		$37.9782	-0.0174	—
Sterling Class		£26.6688	+0.0062	—
D-Mark Class		DM82.6231	+0.0185	—
Dutch Guilder Class		Dfl82.1828	+0.0142	—
Japanese Yen Class		Y7929.1061	+0.6729	—
Atherton Rydice Portfolio Ltd				
Atherton Rydice Pfolio Ltd £	10.71	11.13	...	—
Atherton Rydice Pfolio Ltd $	$10.20	10.58	...	—
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Oct 22	$34.14	36.31	...	—
Perpetual UT Mngrs (Jersey) Ltd				

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond .5		16-	20.0089	20.5034	—	—
Managed Capital Dlr .5		16-	20.0522	20.8739	—	—
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency .5		£-	10.7782		—	—
Sterling Currency Fd .5		£-	10.4447		—	—
Ecu Currency .5		Ecu-	10.5983		—	—

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 22	Oct 21	Oct 20	Oct 19	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3200.88	3187.10	3186.02	3188.45	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.06	101.83	101.99	102.21	103.20 (18/9)	98.41 (20/2)	103.20 (18/9/92)	54.99 (1/10/81)
Transport ◊	1313.43	1306.38	1296.51	1284.22	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.07	215.95	216.51	217.95	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3221.14 (3211.69) Low 3162.79 (3163.33) (Theoretical)
Day's High 3202.23 (3199.80) Low 3174.68 (3179.81) (Actual)

STANDARD AND POOR'S

	Oct 22	Oct 21	Oct 20	Oct 19	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	414.90	415.67	415.48	414.98	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	487.12	[illegible]	486.44	485.94	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.33	36.65	36.65	36.51	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 [illegible]
NYSE Composite	228.10	228.60	228.56	228.24	233.73 (14/9)	[illegible] (8/4)	233.73 (14/9/92)	[illegible] (25/4/42)
Amex Mkt. Value	374.51	373.42	371.40	368.54	418.99 (12/2)	[illegible] (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	597.12	597.15	592.70	590.67	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 16	Oct 9	Oct 2	year ago (approx.)
Dow Industrial Div. Yield	3.27	3.31	3.24	3.00

	Oct 21	Oct 14	Oct 7	year ago (approx.)
S & P Industrial div. yield	2.72	2.76	2.80	2.69
S & P Indl. P/E ratio	27.22	26.77	26.45	21.44

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Chrysler	3,822,800	26¼	+ ⅛
BankAmerica	3,771,500	41⅝	- 2⅛
Philip Morris	3,663,100	77¼	- 1⅜
Gen Motors	3,464,600	32⅞	+ 1⅝
Pacific Telesis	3,388,700	40	- 2
Syntex	3,362,200	24	- 1
Citicorp	3,210,100	15⅞	+ ⅛
[illegible]	2,604,800	41½	- ⅛
IBM	2,433,100	68½	----
Conner Periphls	2,299,800	18½	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 22	Oct 21	Oct 20
New York SE	216.080	218.990	258.220
Amex	13.951	14.066	13.731
NASDAQ	229.798	222.046	232.364
NYSE			
Issues Traded	2,356	2,337	2,365
Rises	789	831	1,031
Falls	967	910	816
Unchanged	600	596	518
New Highs	64	74	104
New Lows	44	65	42

CANADA

TORONTO	Oct 22	Oct 21	Oct 20	Oct 19	1992 HIGH	1992 LOW
Metals & Minerals	2695.52	2652.20	2630.44	2643.05	3238.87 (16/1)	2603.82 (15/10)
Composite	3258.80	3252.60	3241.80	3225.48	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1709.48	1700.26	1691.36	1681.83	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◊ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ◊ Corrected figure for October 21.

	Oct 23	Oct 22	Oct 21	Oct 20	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1455.5	1448.2	1443.9	1426.9	1684.58 (22/5)	1417.60 (19/10)
All Mining (1/1/80)	622.5	612.0	602.2	595.9	726.80 (3/7)	593.30 (19/10)
AUSTRIA						
Credit Aktien (30/12/84)	332.39	332.17	329.70	322.08	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	807.82	806.84	800.31	780.64	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1132.96	[illegible]	1118.17	1105.25	1235.40 [illegible]	1096.07 [illegible]
DENMARK						
Copenhagen SE (3/1/83)	254.34	257.44	257.07	254.81	366.29 (15/1)	254.34 (23/10)
FINLAND						
HEX General (28/12/90)	690.3	675.8	661.8	642.7	935.90 (24/2)	541.80 (7/9)
FRANCE						
CAC General (31/12/80)	460.76	454.94	461.66	453.81	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1766.41	1730.74	1722.24	1731.26	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	598.51	595.09	593.26	594.20	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1691.9	1681.4	1675.3	1679.2	2043.00 (25/5)	1594.68 (12/10)
DAX (30/12/87)	1526.82	1510.11	1503.90	1511.55	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	6282.54	6329.12	6200.05	6088.51	6329.12 (22/10)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1140.81	1142.06	1129.94	1112.81	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	417.19	414.42	408.68	416.11	551.97 (6/2)	354.93 (16/9)
MIB General (2/1/92)	822.0	813.0	805.0	805.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17117.65	17013.04	17141.52	16967.66	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1296.69	1293.27	1298.33	1290.87	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1695.88	1689.61	1688.64	1692.76	2489.85 (6/1)	1582.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	630.07	623.87	615.85	614.96	630.07 (23/10)	546.63 (14/1)
NETHERLANDS						
CBS Tl.Rtn.Gen (End 1983)	208.4	207.2	207.7	208.6	314.90 [illegible]	[illegible]
CBS All Shr (End 1983)	194.4	193.6	193.9	194.6	215.50 (26/5)	189.78 (25/8)
NORWAY						
Oslo SE Indl (2/1/83)	610.10	611.31	612.45	608.60	772.74 (18/5)	532.48 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1321.41	1327.68	1354.15	1344.41	1980.95 (11/6)	1083.81 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	360.11	351.46	352.41	352.00	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	[illegible]	864.8	868.0	899.0	1327.00 (21/1)	782.00 (15/10)
JSE Industrial (28/9/78)	3993.04	3993.0	3988.0	3960.0	4489.00 (4/6)	[illegible]
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	571.34	568.97	599.71	540.45	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	201.18	200.05	198.67	200.09	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	721.9	701.0	692.2	686.2	1014.50 (11/5)	639.80 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	844.1	843.0	844.4	850.1	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	643.8	641.8	641.6	644.3	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3662.60	3689.23	3694.38	3724.17	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	908.39	902.76	883.93	878.68	983.39 (25/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	489.9*	490.9	489.9	[illegible]	542.10 (7/1)	467.50 [illegible]
Euro Top-100 (26/6/90)	834.02	821.98	818.99	821.32	976.55 (25/5)	772.52 (5/10)

**Saturday October 17: Taiwan Weighted Price: 3749.32, Korea Comp Ex 526.45. *Calculated at 15.00 GMT.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Bad earnings news dampens demand

Wall Street

THE Dow struggled to stay above 3,200 yesterday morning as bad earnings reports from leading companies and further declines in bond prices continued to dampen demand, *writes Patrick Harverson in New York.*

By 1 pm the Dow was up 0.54 at 3,201.42, having spent most of the morning a few points below Thursday's close. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, down 0.76 at 414.14, while the Amex composite slipped 0.62 to 373.89 and the Nasdaq composite firmed 0.07 to 597.19. Turnover on the NYSE was 116m shares by 1 pm. Rises and declines were running almost neck and neck at 777 to 770.

Although analysts have been impressed by the market's recent resilience in the face of a likely Democratic victory in the presidential election, troubling corporate news continues to act as a brake on prices.

Westinghouse, United Technologies and Caterpillar have all reported disappointing third quarter earnings this week. Heavy losses in these individual stocks, which make up a large part of the Dow, have prevented it from holding its ground above 3,200 mark, which is now seen as the short-term barrier. Equities were not helped by fresh declines in bond prices, which pushed interest rates even higher.

Motor stocks continued to advance with Ford rising another $½ to $39¾ in turnover of 1.2m shares on an upgrade from broking house Salomon Brothers, which believes that there are several positive "industry dynamics" which will benefit US auto manufacturers, especially Ford, in the short-term.

General Motors, which has been in demand lately on reports that Mr Robert Stempel, the group's chairman, will soon be ousted, firmed $⅝ to $33¼ in turnover of 1.6m shares. The stock was also helped by news that its car sales rose 9.6 per cent in mid-October. Chrysler proved the day's disappointment, easing $⅛ to $26¼ after Prudential Securities downgraded the stock, not for fundamental reason but because recent buying may have pushed the share price close to its term peak.

Philip Morris slumped $2⅝ to $74⅝ in turnover of 3m shares after Ms Diana Temple, a Salomon analyst, cut her recommendation on the stock from a "buy" to a "hold" because of concerns about the group's share of the US cigarette market. The stock has been sold heavily in recent days on worries about stalling overseas demand.

Caterpillar fell $1⅝ to $51⅞ after several broking houses cut their investment ratings following bad third quarter earnings.

On the Nasdaq market, Sun Microsystems bounced back $3⅝ to $32¼ in turnover of almost 5m shares. The move represented a strong recovery from late selling on Thursday, which was prompted by the release of disappointing fiscal first quarter earnings.

Canada

TORONTO stocks were easier in subdued midday trading as investors adopted a wait-and-see attitude ahead of Monday's constitutional referendum. The TSE-300 index slipped 6.5 to 3,252.2, in volume of 13m shares valued at C$123.7m. Declines outstripped advances by 194 to 164 with 248 issues unchanged.

Signs of lower rates help Mexico recover

The government's monetary easing has prompted domestic investors to return, writes Damien Fraser

A month is a long time in Mexico's stock market, and since the dark days of September almost everything seems to have fallen into place for the country's investors. After falling some 35 per cent from June to September 28, the market's main BMV index has since recovered by 25 per cent.

The rally, stronger and longer than many had expected, has been led by domestic rather than foreign investors, and follows a string of good economic news.

In early October, Mr Bill Clinton offered conditional support for the North American Free Trade Agreement (Nafta); third-quarter results appeared to be better than expectations; and last Tuesday, the government allayed fears of a large currency devaluation by announcing an increase in the permitted fall of the peso against the dollar.

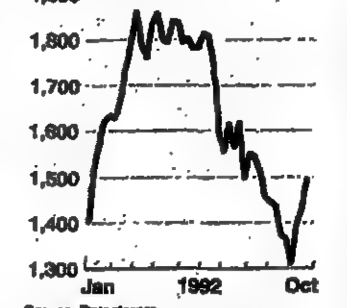
Putting the pieces together, investors concluded that economic growth would soon pick up and interest rates were likely to fall. Interest rate-sensitive stocks – such as banks, retailers, and construction companies – have led the stock market's rally.

Shares in GF Bancomer and Banacci, Mexico's largest banks, are up 45 per cent and 31 per cent respectively over the past month; Cemex, the leading cement company, gained 58 per cent; and Grupo Sidek, part of which is a tourist and development group, 33 per cent.

The anticipation of Mr Clinton's conditional support for the North American free trade agreement sparked off the buying, as many investors reckoned that the agreement was inevitable, and could be in place by the first half of next year. With Nafta approved, more foreign investment is expected to flow into Mexico, and interest rates, which have been kept at around 19 per cent in part to maintain foreign reserves at close to $20bn, could be lowered.

A decline in interest rates would be welcomed by Mexican companies, and would appear justifiable from the perspective of the domestic economy. Monthly inflation has been hovering around 0.6-0.9 per cent, indicating that real interest rates are close to 8-10 per cent. High rates have pushed down economic growth expectations to 2.5-3.0 per cent this year, and have contributed to the fall in the stock market from June to September.

Mexico



Source: Datastream

Tuesday's successful renegotiation of the annual wage and price accord removed the one remaining doubt. The government backed away from its unstated goal to fix the peso to the dollar, and instead increased the maximum permitted devaluation of the peso from 2.3 per cent a year to 4.6 per cent a year.

The government's decision, combined with moderate wage increases announced on the same day, "allays fears about the over-valuation of the peso, removes a great deal of uncertainty, reduces the chances of a major devaluation, and sets the stage for single-digit inflation in 1993," says Mr Scott Galle from DA Campbell Associates, a fund manager which specialises in Latin America.

The government's reversal will make the peso more volatile, since the band at which the currency can fluctuate against the dollar will grow from around 3 per cent to nearly 8 per cent in 12 months. Mr Jorge Mariscal, manager of Latin American equities at Goldman Sachs, says this will discourage short-term investment in favour of longer-term holdings – the government's presumed goal.

On Wednesday, the first signs of lower interest rates occurred. After rising for seven consecutive weeks, rates on 28-day government paper edged down 0.2 percentage points to 19.5 per cent: on 364-day paper they fell 0.5 to 19.10 per cent.

Equity analysts immediately started to recommend interest rate-sensitive and export-oriented stocks in spite of their recent rises, since they would benefit most from the easing of the exchange rate. Mr Scott Kalb, an analyst at Smith Barney, particularly likes the bank stocks, which were hit hard in the third quarter.

Mr Mariscal is enthusiastic about export-oriented stocks, and those competing in the trade sector, since their margins will rise slightly as a result of the faster rate of devaluation. Cemex is likely to benefit from the government's announcement this week to help finance the building of *530,000 low-income homes.*

But he and another analyst warn that Mexico is not yet free of troubles. The current account deficit may have stabilised, but it is still likely to top $20bn this year. Mexico's thirst for foreign capital is therefore likely to continue, leaving it vulnerable to unfavourable events in the US.

While Mr Clinton supports the principle of Nafta it is still too early to tell when a new Congress will vote on it, and whether the Mexicans can accept his interventionist parallel accords on labour and the environment. If his commitment to Nafta looks in doubt, and foreigners take their capital elsewhere, the government will have to keep the brakes on the economy for much of next year as well.

EUROPE

Bourses rise on renewed rate cut hopes

STRENGTH in the dollar, and a reawakening of interest rate hopes helped to bring senior bourses back to life, writes Our Markets Staff.

PARIS closed the October trading account with lift-off on expectations of an early interest rate cut, a strong bond market and a firmer dollar. The CAC-40 index ended up 35.67 at 1,766.41, just off the day's high of 1,770.72, for a rise of 6.1 per cent on the week. Turnover of FFr3.1bn was heavy for a Friday and reflected end-account activity.

Interest rate-sensitive stocks led the rally, with Michelin adding FFr11.60 or 6.4 per cent to FFr191.90 in heavy trading. Suez rose FFr12.30 or 5.4 per cent to FFr239.80 and Saint-Gobain put on FFr27.90 or 5.9 per cent to FFr494.90.

FRANKFURT, however, reflected buying from DTB futures traders as the DAX index rose 16.71 to 1,526.82, 4.5 per cent better on the week.

Among the heavyweights which the DTB focuses upon, Allianz rose DM38 or 2 per cent to DM1,908 while Daimler put on DM15.50 or 2.8 per cent to DM561. An analyst said that Allianz might be looking a touch oversold, while the climb in the dollar to over DM1.53 yesterday favoured major exporters.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

October 23 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1026.84	1026.21	1025.76	1027.92	1033.00	1034.37	1033.81	1034.38
FT-SE Eurotrack 200	1100.70	1099.42	1098.94	1099.51	1105.75	1108.09	1106.95	1108.83

	Oct 22	Oct 21	Oct 20	Oct 19	Oct 16
FT-SE Eurotrack 100	1021.53	1015.54	1021.70	1001.00	996.54
FT-SE Eurotrack 200	1095.16	1087.95	1090.40	1063.18	1066.23

Base value 1000 (26/10/90) High/day: 100 - 1036.03 200 - 1111.78 Low/day: 100 - 1024.94 200 - 1098.25

Among second liners, Bremer Vulkan jumped DM2.90 to DM69.40, lifted from its 1992 low by a newspaper report that the company will win an order for four container ships to China worth DM800m.

MILAN was propelled higher in active trading amid hopes that interest rates would be cut this weekend. The government's progress on efforts to curb the public sector deficit also encouraged the market. Buying was predominantly domestic, though there was a report of a large foreign buy program. The Comit index rose 4.77 to 417.19, flat on the week, in turnover estimated at more than L200bn after Thursday's L144.8bn.

The state-controlled financial services and real estate holding company Sifa led the market higher, with its ordinary shares rising L100 or 7.7 per cent to L1,395, on news that Sifa would officially merge with Finmeccanica, which is also state-controlled.

Trading in Alcatel Cavi was suspended ahead of news that its parent Alcatel Cable of France was offering to buy out minority shareholders. It was offering L3,700 per ordinary share and L2,730 per savings share. The ordinary share last traded at L2,800.

AMSTERDAM recovered some ground towards the close on short covering and the CBS Tendency index finished 0.2 lower at 104.3, down 1.13 per cent on the week.

The financial sector continued to improve on hopes of lower European interest rates with ABN Amro up 20 cents at Fl 50.10 and ING 50 cents higher at Fl 49.90.

Fokker, besieged by rumours throughout the week, denied another which claimed that Dasa was offering Fl 25.50 per share as part of its deal to acquire a 51 per cent stake. The Dutch group said recently that it expected the price to be nearer Fl 40 per share. The shares closed at a new year's low, down Fl 1.00 at Fl 15.80.

DAF was another 70 cents lower at Fl 10.80, a loss of 18 per cent on the week, after deferring payment of its preference dividend on Thursday.

MADRID's general index put on 1.13 to 201.18, a rise of 3.7 per cent on the week. BBV, which reported a 20 per cent fall in third quarter earnings lost Pta10 to Pta2,215 but the sector was generally firm with Banco Popular up Pta60 at Pta9,680. Telefónica, in spite of recent presentations in the UK and Madrid, fell Pta15 to Pta950, while Cubiertas showed a rise of Pta245 to Pta3,825, up 21 per cent on the week.

BRUSSELS closed higher as a strong recovery in Petrofina offset declines among some smaller industrial stocks. The Bel-20 Index was 11.28 higher at 1,132.96, up 3.5 per cent on the week. Petrofina closed BFr440 or 6.2 per cent higher at BFr7,590.

STOCKHOLM ended the week 9.1 per cent higher, on lower interest rates. The Affärsvärlden General index rose 20.9 to 721.9 as turnover jumped to SKr616m from SKr459m.

HELSINKI extended its rally to a ninth consecutive day, the Hex index closing 14.5, or 2.1 per cent higher at 690.3, up 11 per cent on the week and 14.3 per cent since October 12.

Turnover was FM81.7m. A FM2.17bn trade surplus for September and lower domestic interest rates helped push the market higher.

COPENHAGEN, conversely, had another bad day, *writes Hilary Barnes*, following the announcement of a big third quarter loss by Jyske Bank and Danske Bank's purchase of a large chunk of shares in Baltica Holding. Danske fell DKr9 to DKr309 and Jyske by DKr36 to DKr188 as the all-share index plunged 3.09 to 254.96.

SOUTH AFRICA

JOHANNESBURG finished little changed ahead of the weekend. The overall index, up 3 at 3,036, was 3.6 per cent higher on the week. The gold index advanced 3 to 864 while the industrial index was 1 better at 3,994. Western Deep Levels put on R2.50 to R57.00, a 24 per cent gain on the week.

ASIA PACIFIC

Nikkei gains on index-linked buying

Tokyo

TRADING activity centred on stocks related to room-temperature nuclear fusion yesterday, while the Nikkei average rose on index-linked buying, *writes Emiko Terazono in Tokyo.*

The index closed 104.61 better at the day's high of 17,117.65, down 1.5 per cent on the week. After moving in a narrow range in the morning session, it fell to a low of 16,944.43 in the afternoon session on light arbitrage and small-lot selling, before rising on a late buying initiative.

Volume was flat at 220m shares against 221m. Advances led declines by 493 to 414 with 199 unchanged. The Topix index of all first section stocks gained 3.42 to 1,296.69 and, in London, the ISE/Nikkei 50 index xxxx xxxx to xxxxxxxx.

Nippon Telegraph and Telephone surged Y56,000 to Y597,000 on its announcement that it had successfully tested a new vacuum method of room-temperature nuclear fusion. Other stocks related to this technology also advanced, with Aisin Seiki, the most active issue of the day, rising Y100 to Y1,160 and Denki Kogyo adding Y29 to Y868.

Bio-technology related issues gained: Shionogi, the pharmaceutical company, rose Y44 to Y824 on its research into cures for Alzheimer's disease.

Some export-related high-technology issues were lower on the higher yen, as the currency strengthened against the dollar. Hitachi fell Y9 to Y713 and Toshiba lost Y11 to Y562.

Ito-Yokado, the leading supermarket chain, fell Y60 to Y3,720 on the arrest of its officials on charges of an alleged payment of Y27m to "sokaiya" or racketeers to prevent them from disrupting the company's shareholders' meeting.

In Osaka, the OSE average fell 50.61 to 18,748.10 in volume of 18.2m shares.

Roundup

THERE were mixed performances among the region's markets yesterday.

HONG KONG eased ahead of the weekend but was still 4.6 per cent higher on the week as the Hang Seng index closed 66.58 lower at 6,262.54.

Hutchison Whampoa, the most active issue, lost 20 cents to HK$17.60, while Cheung Kong fell 40 cents to HK$24.00 and China Light shed 50 cents to HK$36.50. Turnover was HK$4.83bn after Thursday's HK$6.34bn.

SINGAPORE recorded its biggest daily gain since late August on buying of blue chips. The Straits Times Industrial index rose 34.98 to 1,366.47, up 2.4 per cent on the week. Some analysts attributed the change in sentiment to positive September trade figures while others reported strong buying interest from a US pension fund.

SEOUL advanced for its sixth consecutive session as investors remained confident of an easing in interest rates. The composite stock index was 2.37 higher at 571.24, a 10 per cent gain on the week, as turnover swelled to Won535.5bn from Won517bn.

Samsung Electronics closed Won1,300 lower at Won31,900 on reports that the US had imposed provisional anti-dumping duties on some semiconductors.

TAIWAN saw its lowest daily turnover since June 1989, down to T$7.7bn from Thursday's T$8.6bn. The weighted index dropped 36.63 to 3,662.60, a week's fall of 1.2 per cent.

MANILA fell on late selling by foreign institutions and the composite index shed 6.27 to 1,321.41, down 3.6 per cent on the week. Combined turnover fell to 212m pesos from 263m pesos. Oil stocks weakened as major drilling activities scheduled for November and January were postponed.

AUSTRALIA continued to see heavy trading in Foster's rights while ANZ gained 12 cents to A$2.95 on unconfirmed rumours that another institution might take a stake in the bank. The All Ordinaries index rose 7.4 to 1,455.5, up 2.5 per cent on the week in turnover of A$224.5m.

Foster's rights put on 1 cent to 14 cents while the ordinary shares were steady at A$1.24.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 22 1992								WEDNESDAY OCTOBER 21 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	122.55	+0.6	112.05	93.50	96.24	113.09	+0.2	4.32	121.88	111.90	93.78	95.47	112.82	153.58	118.97	155.41
Austria (19)	152.48	+0.2	139.40	116.32	119.73	118.84	+0.9	2.35	152.06	139.66	117.05	119.18	118.80	186.70	139.27	162.90
Belgium (42)	139.49	+0.3	127.54	106.42	109.54	105.81	+0.5	5.71	139.09	127.72	107.04	108.97	106.33	152.27	135.87	128.81
Canada (114)	115.62	−0.1	105.72	88.21	90.79	104.11	+0.3	3.40	115.75	106.30	89.08	90.69	103.77	142.12	112.87	138.90
Denmark (33)	196.04	+0.1	179.25	149.58	153.95	155.05	+0.4	1.84	195.85	179.88	150.71	153.43	154.48	273.94	191.86	252.04
Finland (15)	62.26	+0.5	56.93	47.51	48.90	62.40	+0.5	2.26	61.93	56.87	47.66	48.52	62.06	89.80	52.84	85.11
France (101)	148.95	+0.3	136.18	113.64	116.96	119.00	+0.5	3.77	148.46	136.35	114.25	116.31	118.12	168.75	146.54	138.13
Germany (64)	109.77	+0.1	100.37	83.76	86.20	86.20	+0.2	2.67	109.68	100.72	84.42	85.93	85.93	129.69	106.82	106.38
Hong Kong (53)	261.48	+2.1	239.08	199.50	205.35	259.48	+2.1	3.43	256.11	235.18	197.10	200.67	254.22	261.48	176.36	164.15
Ireland (16)	137.13	+1.8	125.38	104.62	107.68	110.63	+2.0	4.90	134.70	123.69	103.66	105.53	108.49	173.71	130.87	157.53
Italy (77)	54.90	+1.0	50.20	41.89	43.11	54.37	+1.0	3.82	54.38	49.94	41.85	42.61	53.84	80.86	47.47	69.34
Japan (472)	106.89	+0.4	97.71	81.53	83.93	81.53	−0.5	1.04	106.46	97.76	81.93	83.42	81.93	140.95	87.27	142.13
Malaysia (69)	260.25	+1.9	237.96	198.55	204.37	251.01	+1.8	2.61	255.46	234.59	196.60	200.15	246.61	260.25	212.49	203.59
Mexico (18)	1428.47	+0.1	1306.09	1089.87	1121.78	4882.22	−0.1	1.23	1426.88	1310.11	1097.97	1117.78	4887.02	1789.77	1185.84	1330.86
Netherland (25)	157.72	−0.5	144.21	120.34	123.87	122.41	−0.2	4.63	158.47	145.52	121.96	124.16	122.63	169.70	147.88	139.39
New Zealand (14)	39.01	+0.0	35.67	29.77	30.64	38.34	+0.0	5.91	39.00	35.82	30.02	30.56	38.36	49.52	33.79	47.43
Norway (22)	141.77	+0.5	129.63	108.17	111.34	118.30	+0.4	2.05	141.02	129.50	108.53	110.49	117.86	182.85	138.04	188.58
Singapore (38)	179.65	+0.0	164.26	137.07	141.08	133.66	−0.1	2.46	179.72	165.03	138.31	140.80	133.75	229.63	179.65	201.16
South Africa (60)	154.43	−0.1	141.20	117.83	121.27	148.92	−0.1	3.47	154.54	141.91	118.95	121.08	147.02	253.80	144.29	254.68
Spain (48)	113.92	−0.1	104.16	86.92	89.46	93.00	+0.8	6.43	114.02	104.71	87.75	89.34	92.26	161.72	110.05	151.35
Sweden (31)	157.26	+1.5	143.79	119.99	123.50	132.94	+1.8	2.95	154.94	142.28	119.24	121.40	130.57	200.28	149.69	182.29
Switzerland (60)	112.75	−0.2	103.09	86.03	88.56	94.37	−0.1	2.27	113.02	103.79	86.99	88.56	94.42	122.37	95.99	94.57
United Kingdom (228)	170.87	+1.0	156.23	130.35	134.17	156.23	+0.6	4.69	169.12	155.30	130.14	132.49	155.30	200.07	164.88	173.70
USA (522)	169.30	−0.2	154.80	129.18	132.96	169.30	−0.2	3.01	169.69	155.83	130.60	132.96	169.69	173.39	160.82	158.48
Europe (781)	137.10	+0.5	125.36	104.60	107.67	116.62	+0.5	4.03	136.37	125.23	104.95	106.85	116.04	156.88	135.02	137.41
Nordic (101)	145.89	+1.0	133.49	111.39	114.65	116.32	+1.2	2.53	144.57	132.76	111.26	113.27	114.90	188.52	141.24	180.87
Pacific Basin (714)	111.99	+0.5	102.39	85.44	87.95	87.32	−0.3	1.39	111.40	102.32	85.76	87.30	87.55	141.97	93.70	142.57
Euro – Pacific (1495)	122.15	+0.5	111.68	93.19	95.92	93.17	+0.1	2.59	121.52	111.59	93.51	95.20	89.09	145.21	113.80	140.88
North America (636)	165.96	−0.2	151.74	126.64	130.35	164.87	−0.2	3.02	166.34	152.75	128.00	130.35	165.21	170.49	158.70	155.32
Europe Ex. UK (553)	116.72	+0.2	106.72	89.07	91.68	95.05	+0.4	3.56	116.51	106.99	89.66	91.30	94.65	132.98	115.41	115.79
Pacific Ex. Japan (242)	162.32	+1.3	148.41	123.86	127.48	146.64	+1.2	3.62	160.18	147.09	123.29	125.51	144.90	175.31	149.00	146.86
World Ex. US (1687)	123.06	+0.5	112.51	93.89	96.64	101.04	+0.1	2.61	122.45	112.45	94.25	95.95	100.95	146.91	116.18	142.74
World Ex. UK (1981)	134.56	+0.1	123.03	102.67	105.68	118.65	−0.1	2.55	134.44	123.46	103.47	105.34	118.77	150.58	127.21	143.68
World Ex. So. Af. (2149)	137.70	+0.2	125.90	105.07	108.14	121.70	+0.0	2.77	137.44	126.21	105.78	107.69	121.76	153.05	130.04	145.59
World Ex. Japan (1737)	155.32	+0.1	142.01	118.51	121.99	145.45	+0.1	3.39	155.12	142.45	119.40	121.58	146.29	165.40	151.93	149.93
The World Index (2209)	137.71	+0.2	125.91	105.07	108.15	121.98	+0.0	2.78	137.45	126.22	105.78	107.70	122.03	153.70	130.66	148.31

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or -	1992 High	1992 Low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or -	1992 High	1992 Low	Yield Int.	Yield Red.
[illegible]							
Over Fifteen Years							
[illegible]							
Undated							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or -	1992 High	1992 Low	Yield (1)	Yield (2)
Index – Linked							
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1992: 136.7 and for September 1992: 139.4

OTHER FIXED INTEREST

	Notes	Price £	+or -	1992 High	1992 Low	Yield Int.	Yield Red.
[illegible]							

EDUCATION

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs h	17 3/4 xd	-1/8	19 1/8	14 5/8	15,190	2.0
♥Allegheny & W	439p	+11	439p	226p	225.8	4.0
Amdahl	482p	-7	1159p	455p	682.5	1.2
Amer Cyanamid	33 5/8	-1/8	37	28 5/8	3,834	2.9
Amer Express	12 1/16 xd	-1/8	13 7/8	10 1/16	6,929	4.7
Amer T & T	25 1/2 xd	+1/16	26 1/16	20 1/8	33,912	3.0
Ameritech	40 1/2	-1/2	42 1/4	32 1/2	17,732	5.1
BankAmerica	25 1/8 xd	-1 3/8	27 1/4	19 1/16	8,743	3.0
Bankers NY	30 1/2 xd	-1/2	41 1/8	28 7/8	3,185	4.1
Bell Atlantic	28 1/2	-1/2	29 1/8	23 1/8	12,304	5.3
BellSouth	31 1/4	-1/8	32 7/8	25	15,622	5.1
♥Bethlehem Steel	7 1/8 xd	-1/16	9 5/8	5 1/4	687.1	–
Bowater	1288p xd	+18	1679p	905p	436.7	5.8
CPC h	28 7/16 xd	-1/8	29 1/16	22 1/8	4,498	2.4
♥Cadiz Land Inc	108p	—	342p	108p	–	–
California Engy	618p	+13	833p	591p	148.1	–
Chase Manhattan	14 1/2 xd	-3/16	16 1/2	9 1/8	2,165	4.8
Chrysler	18 5/16 xd	+1/16	19 3/16	6 1/4	4,779	2.1
Citicorp	9 1/2 xd	+1/16	11 1/4	5 1/8	3,496	–
Colgate-Palm	35 1/2 xd	-3/16	37 1/4	25 1/4	5,729	2.0
Cont'l Bank	1023p	-6	1838p	499p	1,835	3.4
Dana	25 1/8 xd	+1/8	25 1/8	14 3/16	1,162	3.7
Data General	738p	+32	1084p	384p	283.6	–
♥Decora Inds	102p	—	122p	66p	–	–
Dun & Brad	35 5/8	+1/8	38	27 1/8	6,358	3.7
Eaton	40 1/8	+1	40 1/8	32 1/2	1,881	2.7
Echlin	11 3/4 xd	-1/4	12 3/16	7 1/8	678.7	3.5
FPL	21 7/8 xd	-1/4	22 1/8	17 1/2	3,951	6.5
Fluor	27 3/4 xd	-1	29 1/4	19 1/8	2,258	0.8
Ford Motor	23 1/2 xd	+1/16	28 1/8	15	11,678	2.4
Gen Elect	46 3/16 xd	-1/8	47 1/8	36 1/4	39,774	3.0
♥General Host	589p	+4	593p	350p	–	3.6
Gillette	36 1/4 xd	-1/8	36 7/8	23 1/2	7,982	1.2
Hasbro	21	+1/8	21 1/2	12 1/8	1,828	0.6
Honeywell	38 7/8	-1/4	43	32	2,688	2.5
Houston Inds	28 5/8	—	27	22	3,449	6.6
IBM	41 1/2 xd	-3/16	54 1/2	41 1/2	23,863	6.8
Ingersoll-Rand	19 5/8	+3/16	19 5/8	12 1/2	2,086	2.1
Lockheed	27 5/8	+1/8	28 1/8	22 1/8	1,095	4.5
Lowe's h	1180p	-21	1278p	615 1/2p	882.9	1.4
Merrill Lynch	33xd	-1/4	39 1/2	24 1/8	3,419	2.1
Morgan (JP)	37 1/16 xd	-1	38 7/8	28 7/16	7,147	3.4
Morris (Philip)	47 1/16 xd	-1 1/2	50 7/8	37 1/2	43,290	2.1
NYNEX	51 3/8	-1/8	52 1/4	39 5/8	10,550	5.3
Pall	18 1/8	+1/8	18 1/8	10 3/8	1,590	1.2
Pennzoil	34 1/8 xd	-1/8	34 1/4	23 1/8	1,385	5.1
Quaker Oats	40 1/2 xd	+1/16	46 1/4	28	2,972	2.8
Rockwell	18 5/8 xd	-1/16	18 5/8	11 1/2	3,481	3.4
Rep NY	25 7/8 xd	-1/4	28 1/4	20 7/8	1,348	2.3
Sears, Roebuck	28 1/4 xd	-3/8	28	19 1/4	8,752	4.5
Sthwestern Bell	40 3/8	-1/8	42 7/8	31 1/8	12,116	4.2
Sun Co	14 7/8 xd	-1/8	18 7/8	12 1/8	1,828	7.5
Tenneco	21 3/16 xd	-1/16	25 1/16	16 1/2	2,708	4.4
Texaco	37 5/8 xd	-1/8	38 1/4	30 1/2	5,734	5.0
Time Warner h	14 1/4	-1/8	15 1/2	11 1/2	5,287	1.1
♥Unitab	344p	—	587p	320p	318.5	–
♥URS Intl 1c	0 3/4p	—	1 1/4p	0 1/4p	2.71	–
US West	22 1/4	-1/2	24	18 1/4	9,326	6.4
Varity	1252p	+2	1300p	632p	325.4	–
Waste Manage	23 1/2 xd	+3/16	26	16 3/16	11,800	1.3
Whirlpool	2265p xd	+20	2799p	1756p	1,595	2.8
♥Woolworth	19 1/4	-1/4	20 1/16	13 1/4	2,580	3.5

CANADIANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
♥Abbot Energy	2p	—	2p	1 1/4p	–	–
Amer Barrick	1854p	+14	1900p	1289p	2,618	0.5
Bk Montreal	22 1/2	+1/8	23 1/4	19 1/4	2,753	4.5
Bk Nova Scot	1154p	+6	1176p	899p	2,084	4.3
♥BC Gas	763p	+6	878p	621p	–	3.7
BCE	21 1/2	+1/8	24 1/2	18 7/8	6,071	6.7
♥Brascan	800p	+16	857p	704p	707.6	5.8
♥Breakwater	14p	-1	33p	6p	8.90	–
Can Imp Bk	1364p	-7	1610p	1167p	2,554	4.6
Can Pacific	741p	—	930p	680p	2,362	2.0

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣†	175	-1	178	147	3.4	205.9	15.2
Warrants		30	—	38	21	—	—	—
Scot Mortgage	♣†	166	—	167	135	3.2	193.4	14.2
Scot National Inc	♣	79½	+1½	107	65¾	14.6	—	—
Cap		23	—	42	12½	—	—	—
Stepped Pf		152¾	+1	152¾	126	5.3	—	—
Zero Div Pf		199½	+½	199½	165½	—	—	—
Warrants		5	-½	9	3	—	—	—
Scot Value		62	—	64	48	3.8	62.0	0.3
Sec Alliance	♣	1263	-2	1288	1066	3.9	1440.0	12.3
Second Market	s	255	—	255	222	0.8	295.0	13.7
Sec Tst Scot	♣	69¼	—	75½	61	6.3	74.1	6.6
Select Assets		96	—	102½	78½	1.2	143.4	33.0
Eq Ind Seri		118	—	120	106	4.8	—	—
Eq Ind Serii		118	—	123	106	4.6	—	—
SHIRESCOT		96	—	98	96	—	97.4	1.5
Shires	♣	200	—	249	188	12.3	212.3	5.8
11pc Cv Ln '03/04		£104½	—	£110½	£95½	10.6	—	—
Siam Select		90	—	91	68	0.4	124.8	28.3
Warrants		11	—	27	10	—	—	—
Smaller Cos		66	—	66	66	6.1	75.5	13.3
Warrants		13	—	28	10	—	—	—
Somerset Tst		114	—	146	55	—	87.1	-31.0
Sphere Inc	N	19½	+½	20	9½	30.6	20.5	30.1
Zero Div Pf		73	+½	77¾	63¾	—	—	—
Sumit		35	—	55	30	4.8	93.2	62.5
TR City of Lon		115½xd	+½	127½	97½	5.5	115.2	0.3
TR Euro Growth		76	—	90	70	2.4	97.9	22.3
Ptg Sub		33	—	64	33	5.5	—	—
TR Far East Inc	M	101	-1	103	76	4.8	119.5	15.5
Warrants		18	—	22	12	—	—	—
TR High Inc		100	—	110	91	8.8	101.4	1.3
Sub	g	23	—	35	21	8.7	—	—
TR Pacific	s	95	-3	99	70	0.4	110.4	13.9
TR Prop		18½	+¼	27	14½	11.7	33.8	51.3
TR Smaller		118	—	132	98	4.2	136.8	14.1
TR Technology		28	+1	37	18	8.8	116.6	78.8
[illegible]								

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Utd News		452	+10	467	323	901.7	6.2	15.5
VTR		45	—	86	43	3.29	10.1	11.5
WPP		35	—	116	31	38.8	—	—
Warrants		3	—	8½	1½	8.15	—	—
Watmoughs	†	451	—	489	391	149.1	3.1	19.6
Yorkshire Tyne-T		132	+1	191½	130	65.8	12.1	4.7
Warrants		18	—	18	9	0.66	—	—

MERCHANT BANKS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		28	—	34	26	32.3	—	—
Bangs 8pc Cn 2nd Pf		99	—	100	83½	12.4	10.8	—
9¾pc Non-Cum Pf		120	+½	135	103¼	48.8	10.8	—
Close Bros		221	—	267	205	84.9	5.7	9.8
Hambros	♣	282	+2	292	202	496.6	7.3	9.2
7½pc Cv Pf		109½	-½	119	91½	184.3	8.1	—
Joseph (L)		305	—	330	308	16.2	6.9	—
Kleinwort Benson		288	-1	324	212	390.8	7.1	20.2
Rea Bros		34	—	37	25	13.3	2.0	—
Schroders	♣†	1300	—	1385	1043	852.6	1.8	15.1
N/V	†	1100	—	1159	883	144.4	2.2	12.8
Singer & Fried	♣	38	—	58	34	73.1	8.8	8.3
Warburg (SG)	♣	532	-7	605	403	1,112	4.5	10.7
6pc Cv Pf		183	+6	204	137	77.9	4.4	—
Wintrust		198	—	253	198	16.6	6.3	7.6

METALS & METAL FORMING

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW	‡	75	—	185	50	50.8	‡	14.2
Apollo Metals		89	—	147	92	18.8	4.9	10.1
Ash & Lacy		130xd	+1	169	122	34.5	6.6	10.7
Barrett (H)	‡	8	—	45	8	3.01	‡	20.8
[illegible]								

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

TEAS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

annualised dividend yield, p/e based on previous year's earnings. | latest annual earnings. ¶¶ Yield based on prospectus or other | xr ex rights; xa ex all; xc ex capital distribution.

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FINANCIAL TIMES

Weekend October 24/October 25 1992

China warns of turmoil over Patten's HK plans

By Simon Holberton in Beijing and Alexander Nicoll in London

CHINA yesterday vowed to reverse democratic reforms proposed for Hong Kong by its governor, Mr Chris Patten, if he introduces them without Beijing's consent.

In an uncompromising one-hour statement which underlined the deep rift between Britain and China, Lu Ping, China's top official on Hong Kong affairs, warned of confrontation and turmoil in the colony during the transition from British to Chinese sovereignty in 1997.

He cast doubt over the future of Hong Kong's HK$163.5bn (£13bn) airport project, saying China would not honour debt agreements or contracts if Mr Patten proceeded with construction without agreement on financing. It would deny flights originating from the airport the right to use Chinese air space, he said.

China's hard-line response to Mr Patten's proposals, at the end of his three-day visit to Beijing, sets the stage for a struggle for hearts and minds in Hong Kong. The first test of local reaction to Lu's ultimatum will come today when Mr Patten makes a statement to the colony's Legislative Council.

Lu accused Mr Patten of violating the 1984 Anglo-Chinese Joint Declaration on Hong Kong and of making proposals incompatible with the Basic Law, Hong Kong's post-1997 constitution. He alleged that Britain had repudiated agreements reached between Mr Douglas Hurd, the UK foreign secretary, and Qian Qichen, his Chinese counterpart, concerning the pace of democratisation.

Lu said Mr Hurd had written to Qian agreeing in principle that the colony's 1995 elections should be carried out according to "arrangements" put forward by China, including those for an election committee.

In London, the Foreign Office said messages had passed between Britain and China in 1990 in an attempt to agree on proposals for the 1995 elections. It had not been possible, however, to agree on all aspects of the elections.

Mr Patten's proposal – that the election committee, which under the Basic Law will elect 10 members of the Legislative Council, should itself be elected – thus fell outside the Basic Law and did not contravene it.

Lu said if Mr Patten went ahead with his proposals, China would disown them in 1997 and construct an executive branch of government, a legislature and a judiciary that conformed to its understanding of the Basic Law.

"If convergence with the Basic Law is not taken into consideration then that will undermine [prospects for] a smooth transition. Such a position will only lead to turmoil in Hong Kong," Lu said.

The British government yesterday repeated its support for Mr Patten's plans, saying it wished to maintain co-operation with Beijing.

Forbidding visit: Chris Patten is shown round Beijing's Forbidden City during a break in his troubled talks on Hong Kong's future

Emperor 'deplores' war atrocities, Page 3

London hospitals begin fight against closure

By Alan Pike and Ivor Owen

SEVERAL of London's most famous hospitals yesterday began fighting for their own lives as the government published plans for radical changes in the capital's healthcare.

Under the proposals, St Bartholomew's, a world-famous, 869-year-old institution in the City, would close in an amalgamation with the Royal London. The Middlesex would close and Guy's and St Thomas' would be amalgamated. Charing Cross would close, although its buildings could be used to house specialist services.

Ministers will make final decisions on the recommendations, in a report from Sir Bernard Tomlinson, former chairman of the Northern Regional Health Authority, in the new year.

Although publication of the report provoked angry opposition from staff at the threatened institutions, there is widespread recognition that the number of hospital beds in London will be reduced.

Mrs Virginia Bottomley, health secretary, welcomed the report's broad conclusions that hospital services in London needed to be rationalised, with a strengthening of family doctor and community services.

But her refusal to guarantee that any savings resulting from hospital closures would be channelled into improving primary and community care in London angered Labour MPs when she announced publication of the report in the Commons.

Mr David Blunkett, shadow health secretary, feared that the government would use the report as an excuse to cut NHS spending. While accepting that the "status quo is not an option", Mr Blunkett said inadequate health care for the people of London could not be an option either.

He coupled demands for increased spending on primary and community care with a pledge that Labour MPs would seek to protect jobs of health workers.

Mr Blunkett was joined by other Labour MPs in demanding that receipts from the sale of valuable hospital sites should not be used to assist Mr Norman Lamont, the chancellor, in holding down public expenditure.

In the long term, it is thought that transferring services from hospitals to the community sector would have a neutral financial effect.

But some health analysts are concerned that Sir Bernard's calculation of the additional transitional costs involved – about £150m – is substantially lower than other estimates.

870 years of medical history under threat, Page 4

Concessions on insider dealing legislation to calm City fears

By Richard Waters

THE GOVERNMENT is to proceed with planned legislation on insider dealing in spite of strong opposition in the City of London, although it announced some concessions yesterday.

An earlier version of the draft legislation had worried bankers and brokers who claimed it would outlaw many accepted market practices. Listed companies feared they would find it difficult to talk to analysts or large investors without falling foul of the new law.

The latest draft provisions, published in the Criminal Justice Bill, have been amended to take account of some of these concerns. An exemption has been added, for instance, for companies which secretly build up stakes in others in preparation for a full takeover bid. Under the original draft, this would have amounted to insider dealing.

However, the Treasury, which is responsible for the legislation, has not changed other provisions which have aroused concern. The definition of "insider information" in the Bill is as broadly worded as in the previous draft. Analysts have said this would make their job almost impossible.

Officials indicated yesterday that the City was wrong to fear that this represented an extension of the law, since all the offences covered in the Bill are covered by the existing law.

The Treasury said it would issue guidance notes on how the new law would be interpreted. Although the guidance will not have the force of law, it is intended to make City professionals feel more confident that some practices will not lead to insider dealing prosecutions.

Yesterday's Bill drew a lukewarm initial response in the City. The London Stock Exchange said: "Certainly some of our concerns would appear to have been looked at. But what they haven't done is take the opportunity to take more a radical review."

The Bill is also intended to make it easier to prosecute international fraud cases in the UK and will extend the offence of laundering money from drug-related offences to cover laundering of proceeds from any crime.

Officials said an average of 17 cases of fraud a year cannot be prosecuted in the UK because existing law only allows a case to be tried there if the final part of the fraud is committed in the country. The change in the law would catch frauds similar to that alleged to have occurred at the Bank of Credit and Commerce International.

Dan-Air deal

Continued from Page 1

services in the middle of the worst post-war recession in the aviation industry was doomed.

Mr James yesterday admitted the short-haul airline business was "a dog" and that it required the backing of an airline with a strong financial structure.

BA has been busy acquiring stakes in airlines this year including its proposed $750m (£460m) holding in USAir and the acquisition of large minority stakes in TAT of France and Deutsche BA in Germany. It has recently expressed interest in buying a stake in Qantas, the Australian carrier.

Dan-Air's disappearance is the latest step in the shake-out of the UK airline industry.

EC and US officials try to avert trade war

Continued from Page 1

- The US government must be reminded how "dangerous and damaging" retaliation would be;
- The need to reach a settlement should be brought home to all concerned.

Their initiative was launched as it became clear that a phone call made by Mr MacSharry to Mr Ed Madigan, his US counterpart, late on Thursday persuaded US leaders to refrain from immediately imposing punitive tariffs on $1bn of EC farm exports in the oilseeds dispute.

Within the EC, a sharp message was being conveyed at a political level by Mr Michael Heseltine, the UK trade and industry secretary, who said Mr Jacques Delors, president of the European Commission, had "conflicting loyalties" between the interests of Europe and his home country France.

Mr Heseltine warned: "I very much hope he will now see that the overwhelming view of the European people is that he should act as the European that he is and conclude a deal with the Americans."

Mr Heseltine noted also that President François Mitterrand of France had played a full part in the EC summit in Birmingham last week which was committed to achieving a deal.

"The clearest instructions were given, and I very much hope the Commission will get on with the job of reaching an agreement with the Americans," he said.

In Brussels, Mr MacSharry has been rallying support to try to clinch a deal on agriculture with the US, which could then lead to the conclusion of the six-year old Uruguay Round.

Last night, officials in Brussels and Washington were seeing whether each other's "bottom lines" could be reconciled. Both sides had to be confident the other could deliver an agreement, a senior Commission official said.

Inside the Commission, there were increasing signs of a divide over whether or not to settle with the US. Senior officials say there is a clear majority in favour of the deal Mr MacSharry wants to negotiate. This would cut the volume of EC subsidised farm exports by 24 per cent and the value by 36 per cent.

THE LEX COLUMN

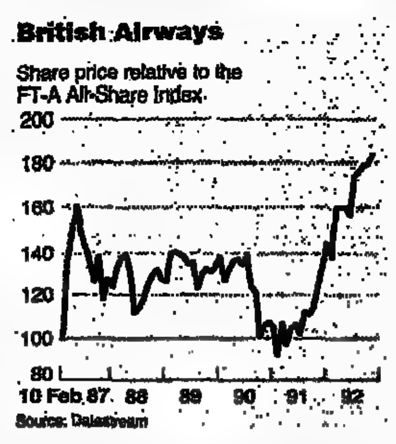
Limited headroom

Devaluations have often been good for the UK equity market, at least in the short run. Overseas earnings account for 50 per cent of the profits of companies in the FT-A All-Share index, and for more than half in the case of the FT-SE 100. But history is not the only guide. This time, corporate debt is high and dividend cover low. Most of any earnings improvement from devaluation may be retained to rebuild balance sheets.

That prospect makes yield valuations of the equity market unreliable. Comparing dividend yields to inflation or gilt yields suggests that shares are not expensive, but earnings tell a different story. The market rating is fast approaching the heady levels last seen in early 1987. Such valuations might be sustainable given falling inflation, but expectations in that respect may turn out to have been too sanguine next year. If so, long gilt yields would rise and equity ratings fall. Share prices are thus unlikely to rise more than earnings in 1993.

In the short run, the equity market also seems over-optimistic about economic recovery. The benefit of lower interest rates may be offset by the government's tightening fiscal stance. And US experience suggests it may take a long time for falling rates to have much impact. The relative performance of different equity market sectors since devaluation is thus harder to understand. The largest rises since Black Wednesday have come from composite insurers, property and construction. True these sectors had been badly hit this year. But so far, the only guaranteed beneficiaries of the ERM debacle are the overseas earners.

FT-SE Index: 2669.7 (+11.6)



British Airways

If BA can get away with it, yesterday's purchase of Dan-Air for a nominal £1 appears to be a shrewd deal. Buying an existing business is generally better than picking up pieces from the receiver. Preserving a few hundred jobs in the current economic climate must be worth a few brownie points. The combination of BA's marketing clout and a proportionately lower Gatwick overhead – existing BA staff there are being offered inducements to accept lower pay – means that Dan-Air's routes could be profitable as early as next year.

The cost to BA is admittedly vague – but then the numbers being talked about would not even purchase a jumbo jet. There will be operating losses in the short term and perhaps £35m of restructuring costs will be charged to shareholders' funds. What remains to be seen, given the soft second-hand market, is whether the sale of some of Dan-Air's surplus 727s will lead to future book losses. At least BA's balance sheet can comfortably absorb the shock for the time being. Mr Branson's Virgin group might have been engaging in a substantially greater risk.

There is always a chance the regulators kick up a fuss. The odds, though, must favour BA, given the availability of Gatwick slots and a lack of any other way to ensure even Dan-Air's partial survival. The worry for BA shareholders is that, with the USAir deal looming too, even small deals bring closer the day when they may be asked to subscribe to a rights issue.

Hanson/RHM

There is plenty in Hanson's offer document for RHM to make the target squirm, not least the reminder of its claim in 1988 that its past success was also the key to the future. That the future turned out dismal is now a matter of record. Hanson will, of course, have to increase its offer, but probably not by much more than RHM's current price of 249p. The ease with which it seems able to knock the company down, though, raises the question of how much even it can make out of the deal.

The modest rise in RHM's shares since its demerger proposal hardly suggests much hidden value. Hanson could spruce up some brands and slice extra costs out of milling and baking. Even so, break-up profits would hardly enhance its earnings much. The alternative, which it seems to prefer, of developing RHM more or less as a whole will be slow to yield returns and costly in terms of capital expenditure and brand support.

Perhaps one should take the company at its word and assume it does intend to create a new core business in food. The RHM bid would then be an example of the new-style Hanson at work. The hope would be that a more sober-minded approach would boost the market rating of its shares. But a food business would require further acquisitions. There are businesses which look cheap, but one has to hope Hanson would distinguish between assets that are cheap because they are undervalued and those that are simply not worth having.

Insider dealing

The new Criminal Justice Bill is a wasted opportunity to clean up the UK's muddled laws on insider dealing. Not before time, the offence is extended to cover the gilts market. The Treasury has withdrawn some earlier proposals that would compromise the legitimate working of the equity market. Its claim that the new law is no different in substance from existing legislation may mean a reprieve for those infamous but less and less liquid brokers' lunches. Yet, apart from placing the onus firmly on the defendant to prove there is no criminal intent, the new law offers nothing to help prosecute genuine cases of insider dealing.

Some elements of the bill are, if anything, more confusing than before. To accommodate Brussels, information must be "specific or precise" to count as inside information. This would cover dealing in gilts on the basis of inside knowledge of a cut in interest rates. But prior knowledge of the contents of inflation statistics or balance of payments data would not count because the information is too general. The uncertainty is so great that lawyers must already be totting up their fees.

In other respects, the definition of inside information is also still worryingly broad, covering any price-sensitive information which relates to a company. This could include knowledge of a distant competitor or supplier. Brokers' analysts may still need to consult the promised guidance notes before they go to lunch. One can only hope the Treasury makes a better fist of drafting them.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Aachen Mch Reg	820	+	37
Bayer	263	+	7.1
BHF Bank	419.5	+	11
Leifheit	370	+	10
Falls			
Asko Prf	395	–	15
Herlitz	246	–	13
New York ($)			
Rises			
Nacco Inds	43½	+	5¼
Sun Microsystm	32¼	+	3⅝
Tandy Crafts	28¼	+	1⅞
Whirlpool	38⅞	+	1¾
Falls			
Caterpillar	51⅞	–	1⅝
Philip Morris	74⅝	–	2⅝
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
Coparex Int	615	+	39
BTM-Entrepose	284	+	15.1
Gal. Lafayette	1680	+	108
Michelin B	191.9	+	11.6
Suez (Cie de)	230.0	+	12.3
Falls			
Cred Lyon (CI)	394	–	38
Tokyo (Yen)			
Rises			
Aisin Seiki	1160	+	100
Chuo Denki Kog	550	+	55
Daimei Telecom	560	+	50
Nippon Seiro	214	+	18
Press Kogyo	369	+	39
Falls			
Tada	469	–	42
London (Pence)			
Rises			
Airtours	225	+	13
Forte	179	+	7
Kingfisher	545	+	11
Lloyds Bank	452	+	18
Reuters	1223	+	21
Rothmans B	653	+	30½
Sketchley	100	+	8
Usborne	18	+	3
Westbury	62	+	7
Falls			
Alvis	16	–	6
Cable & Wireless	695	–	12
Fletcher King	30	–	9
HSBC	480	–	20
ICI	1047	–	20
Ocean Group	191	–	13
Pepe	11	–	2
Standard Chartered	513	–	15
Tate & Lyle	357	–	11
Vibroplant	46	–	10

World Weather

UK Today: Starting bright in east and south, but showers in west spreading east, some wintry on high ground. Patchy rain in south-west, then brighter. Wintry showers in west of Scotland, dry in east. Cold everywhere.

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	15	59	Cairo	S	32	90	Inverness	F	6	43	Milan	F	13	55	Salzburg	C	9	48
Algiers	F	20	68	Cape Town	F	17	63	Isle of Man	F	8	46	Montreal †	R	4	39	S'Francisco †	S	12	54
Amsterdam	F	10	50	Cardiff	F	11	52	Istanbul	F	16	61	Moscow	R	3	37	Seoul	R	14	57
Athens	F	26	79	Chicago †	S	15	59	Jersey	F	12	54	Munich	C	8	46	Singapore	F	29	84
Bahrain	S	30	86	Cologne	R	8	46	Johannesburg	S	25	77	Nairobi	F	27	81	Stockholm	F	3	37
Barcelona	S	16	61	Copenhagen	C	6	43	Las Palmas	R	21	70	Naples	F	17	63	Strasbourg	R	8	46
Beijing	S	11	52	Corfu	C	20	68	Leeds	F	8	46	Nassau		–	–	Sydney	S	18	64
Belfast	F	5	41	Dallas †	S	16	61	Lisbon	C	17	63	Newcastle	R	7	45	Tangier	F	18	64
Belgrade	S	14	57	Dublin	F	7	45	Locarno	C	9	48	New Delhi	S	28	84	Tel Aviv	S	27	81
Berlin	[illegible]	5	41	Dubrovnik		–	–	London	C	11	52	New York †	S	8	46	Tenerife	C	22	72
Biarritz	R	14	57	Edinburgh	[illegible]	3	37	Los Angeles †	S	18	64	Nice	F	15	59	Tokyo	S	21	70
Birmingham	R	8	46	Faro	[illegible]	21	70	Luxembourg	R	5	41	Nicosia	S	26	79	Toronto †	F	8	46
Blackpool	R	9	48	Florence	R	11	52	Madeira	C	20	68	Oporto	F	15	59	Tunis	C	19	66
Bombay	F	31	88	Frankfurt	R	8	46	Madrid	F	17	63	Oslo	F	0	32	Valencia	S	20	68
Bordeaux	C	15	59	Geneva	R	8	46	Majorca	C	21	70	Paris	C	11	52	Vancouver †	C	14	57
Boulogne	S	12	54	Gibraltar	S	20	68	Malaga	S	21	70	Perth	F	-4	25	Venice	S	13	55
Bristol	F	10	50	Glasgow	R	5	41	Malta	S	21	70	Prague	F	8	46	Vienna	S	10	50
Brussels	C	9	48	Guernsey	R	11	52	Manchester	F	7	45	Reykjavik	C	3	37	Warsaw	R	3	37
Budapest	S	12	54	Helsinki	S	-1	30	Melbourne	S	19	66	Rhodes	F	25	77	Washington †	S	5	41
Buenos Aires				Hong Kong	S	28	82	Mexico City		–	–	Rio de Janeiro		–	–	Wellington	R	11	52
				Innsbruck	F	9	48	Miami †	S	24	75	Rome	F	18	64	Zurich	F	8	46

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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Weekend FT

SECTION II Weekend October 24 / October 25 1992

Schools for free or fee: what's the difference?

The FT-1,000 survey shows that the best of British state education is a match for many private schools, say ***Andrew Adonis and Gillian de Bono***

WHAT PRICE three A-levels? Between £70,000 and £140,000, if you put your child through the independent system. Nothing at all in the British state sector.

At upwards of £25,000 an A-level, a private education is the most expensive asset many parents buy after their house. And the bill is rising rapidly: school fee increases have shot ahead of inflation for the last decade and they will probably continue to do so. But why pay £70,000 – the going rate for 11 years at a mid-ranking prep and independent day school – if you can get it *for nothing*, bar your tax?

For results, parents say in chorus. Surveys shows that more than anything, parents believe they are paying *for* better exam grades. Few mention for squash courts or social cachet.

The private sector still includes the very best schools and remains an escape route for parents unwilling or unable to move into the neighbourhood of a good state school. Even so, The FT-1,000 survey of this summer's A-level results, to be published as a special *supplement to next Saturday's FT*, will, come as shock to many a mortgaged parent. For it shows that judged by results, the best of state education is easily a match for much of the independent sector.

The first complete survey of exam results from both the state and independent sectors across England and Wales, *the FT-1,000 shows*, county by county, the top state schools in strong competition with the independent sector. That is on the basis of *average* A-level results, which mostly under-represent the achievement of state schools – particularly comprehensives with their non-selective intake. Pupil by pupil, much of the state sector probably does as well for individual students as its independent counterpart.

True, judged by A-level results, the leading public schools are without doubt the Rolls Royce of the national system. *Not a single state* school or college comes in our top 50 schools and colleges: the top state school – the Judd School for Boys, Tonbridge, Kent – comes 62nd, with only three others in the top 100.* It is hardly surprising that the leading independent schools form about a third of each year's admissions to Oxbridge.

The top few hundred schools are *not, however, the only good schools* – just, in the main, the most selective. Go further down the list, and the picture changes. Schools ranked between 250 and 350 are still the national cream: they gain *average* A-level results of around three grade Cs, and send most of their sixth-formers on to higher educa*tion. Of that 100, 34 are state institu*tions (19 grammar, 13 comprehensive and two sixth form colleges). Of the next 100 on our list, gaining average grades of CCD, 46 are in the state sector.

The imbalance is still marked – but less so than you might think, given that a fifth of all sixth formers (as opposed to 7.5 per cent of the school-aged population) is in private schools.

Yet beware of generalising from the top or from average results. Most parents are looking for a *school close to them; and as* boarding becomes ever less fashionable (boarding numbers are down 10 per cent in the last three years alone), that is increasingly true. Even boarding schools now tell you that for much of their clientele a "90 minute rule" applies – the maximum driving time a parent is prepared to endure.

So for most parents, it is the *county or regional market that mat*ters. There, no single picture emerges from the *FT* survey.

In two counties – Essex and Northumberland – the top perform*ing school is in the state sector. In* many others you can pay day fees of £5,000 a year for a school the average results of which are no better than those for nearby state schools.

Unsurprisingly, grammar schools top the state sector: 25 out of the top 30 state schools are grammar schools, while the top two comprehensives – Hasmonean High in London and Wolverhampton Girls High – are, respectively, a religious foundation and a school which has opted out of local authority control.

Take Kent. Of the county's top 20 schools, ten are in the state sector. Kent's leading grammar schools are a match for all but three of its independent schools. In Orpington, Tunbridge Wells, Gillingham, Sittingbourne, Gravesend and Maidstone the best-performing schools are in the state sector.

The picture is more dramatic still in Buckinghamshire and Lincoln*shire. Six of Buckinghamshire's* grammar schools – led by Dr Challoner's, Little Chalfont – outperformed Stowe, the prestigious public school, which charges day fees of £8,200 a year. Lincolnshire has eight state schools in the top half of the FT-1,000, including two comprehensives, with the independent sector nowhere outside Stamford.

Kent, Lincolnshire and Buckinghamshire's *state* schools, which survived the national mania for forcing the state system into the comprehensive mould in the 1960s and *1970s, achieve unusually impressive* results. It is no accident, perhaps, that Bucks and Lincs have among the weakest independent sectors in the country, since few, if any, grammar schools left the state sector under threat of reorganisation in the 1960s and 1970s. The survey shows that a large proportion of the highest achieving private schools are schools which, until 20 years ago, were an integral part of the state sector.

Significantly, many comprehensives with professional middle-class catchment areas score almost as *highly as the leading grammar* schools. Oxfordshire's top state school is Cherwell, a comprehensive serving don-infested North Oxford; Avon's is Chew Valley, in Chew Magna, mid-way between Bath and Bristol; Bishop Luffa in Chichester heads the list in West Sussex; and so on. County by county, state institutions in the wealthiest areas, with professional clienteles, gain the best results, whatever their formal status.

Indeed, an *FT* survey of Bristol schools, included in next week's supplement, surmises that the city's *independent day schools may* well be *more* socially representative than the highest achieving state schools in the city, most of which are in its *affluent suburbs or commuter belt.*

In the state sector, then, education by mortgage has to a large extent replaced education by ability. The relationship between schools' performance and house prices is marked. All of the ten top performing counties in our survey have higher than average house prices.

Within cities and towns, estate *agents will tell you that houses in* the catchment areas of high-performing state schools go for a premium. According to Jason Lamb, of Douglas *Maloney*, an agent for the catchment area of Cranbrook School, a state grammar in Kent: "It is very important that houses are in the catchment area. Frequently it is the first thing that people mention."

By contrast, our survey shows that the level of fees charged by independent schools has little bearing on academic performance. Fee levels generally have more to do with the wealth of an institution's *endowment, or the grandeur of its* recent building projects, than the quality of its teaching. Collectively, private schools in Leicestershire, Greater Manchester and Greater London have the best A-level results in the country, yet day fees are typically below average in all three counties. Next week's supplement includes value-for-money tables.

Recent surveys have attempted to assess the relative "value" schools add to their pupils by comparing grades achieved at A-level with those achieved at GCSE. This measure is of only limited – if any – significance, since it ignores progress made by pupils in their first five years at a school. It also fails to take into account a school's sixth-form admissions policy – how many of the weaker pupils get weeded out at age 16.

Next week's FT-1,000 is the first survey to publish institutions' stay-on rates. It reveals wide variations, even among top schools. While at St Paul's Girls' London all fifth formers stayed on last year, 85 per cent did so at Haberdashers' *Aske's School for Girls, Elstree.* Several independent schools in the top 100 had stay-on rates of less than 80 per cent – lower than many comprehensives with a wider academic mix. Stay-on rates are not just a reflection of the capacity of pupils, but they make for revealing comparisons between schools.

Last year's *FT* survey of the independent sector showed single-sex schools leading the field. Next week's FT-1,000 reveals the same pattern in the state sector. Of the top 30 state schools, 25 are single-sex – most of them grammar *schools. The survey finds some* excellent co-educational schools, but overall the results of mixed-sex schools are disappointing even among grammar schools.

Why are single-sex schools so comparatively strong? Any explanation, however tentative, is bound to be controversial. But in the state sector, one thing is clear: successful single-sex schools are among those which have best defended their character against external attempts by politicians and bureaucrats to reform them. It is time, perhaps, *that British educationists paid* more attention to the pioneering work by US scholars John Chubb and Terry Moe** on the deleterious impact of state bureaucracy on the achievement of schools.

There is more to schools than results. There is also more to results than A-levels: vocational courses suit many post-16 pupils far better than a narrow academic régime, and Further Education Colleges are pioneering new courses alongside more traditional avenues.

Yet high-performing institutions almost invariably make exam results a priority. Strong exam performance generally also goes with a strong extra-curricular side and intense efforts for those at the lower ability end.

In a recent survey to find out why parents chose it, Queen Elizabeth's Hospital, an independent day school in Bristol, found academic results to be by far the most important factor. Next, *in order, came its small size,* its happy atmosphere, the headmaster and discipline. "There's no point trying to re-invent the wheel," says Dr Richard Gliddon, its headmaster. "Results are the most significant aspect of achievement."

* *Precise figures are subject to slight revision for late information.*

** *John Chubb and Terry Moe,* Politics, Markets and America's Schools, *Brookings.*

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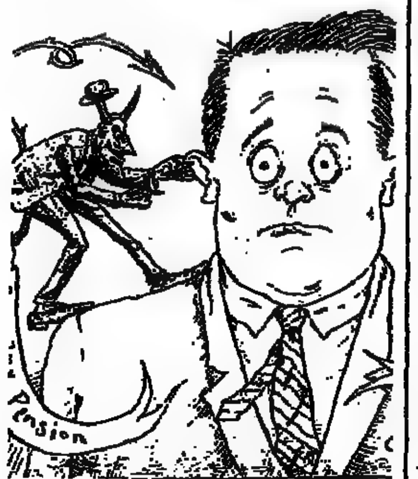


The Long View / **Barry Riley**

We are not bemused

WHEN YOU are a bemused investor or a beleaguered prime minister it can sometimes *seem difficult to see tell* the wood for the trees. It can be worthwhile to step back from the for*est for a bit of perspec*tive; you never know, there just might be a pattern.

Right now we are in the disturbing process of changing our view of what represents economic and political normality. A certain level of living standard and rate of economic growth, and a certain position in the international pecking order, have been taken for granted in Britain and in the west generally. But although trends may persist for 30 or 40 years there is no law that says they will persist forever.

Consider the demoralisation of Amer*ica, victorious in the Cold War but now* fearful of losing the peace and apparently about to throw out its president. In the 1950s and 1960s great companies such as General Motors and International Business Machines dominated the industrial world. They controlled the technology and they set the standards. Now they may be in the long slow process of going bust, taking with them to oblivion the secure, high-wage jobs that fuelled American prosperity.

That degree of relative prosperity was a transient postwar phenomenon, with Europe and Japan bombed into poverty and capital famine, and the rest of the world well behind in the development timetable. Now, technology can be almost instantly transferred around the globe, and cheap labour countries are becoming powerful manufacturing centres. The rise of mainland China as a force in international trading is a little-recognised threat, although highlighted this year by a booming Hong Kong stock market. Millions of industrial jobs have already been destroyed in the west, with more to come.

For a while, during the 1980s, the evil day was postponed by live-now-pay-later debt-financed binges in countries that would tolerate them, like Britain and the US. Japan was pushed down the same road and is now nursing a dangerously sick banking system. Germany, which prudently avoided the *debt trap, subsided instead* into Eurosclerosis, until lured into a still more seductive unification spending spree.

Germany will pay for its excesses *soon enough, along with France* and the other remaining ERM members. Britain had to be forcibly rescued by foreign exchange speculators from the errors of its political masters. However, Continental recession will bring Britain scant satisfaction because our exports will be hit. Meantime, European traumas have distracted Britain's attention from the real long-term crisis, its loss of manufacturing competitiveness and a probable inability to sustain living standards – already a serious problem in the US. It is not a comfortable position, when our government only six months ago won an election on promises of recovery and no tax increases.

Against this background, protectionism is bound to start reappearing on *political agendas. At this stage the* French farmers who are insisting on their right to decent incomes for growing unsaleable food may still seem an anachronism but some of their manufacturing counterparts elsewhere in Europe may soon believe they have *common cause.*

In the UK devaluation of the currency is part of the answer, and it may have to go further. But devaluation only works if real incomes are cut. If this impoverishment is resisted, all that happens is a surge in inflation. Moreover, a *massive change in the structure* of the economy is required. There must be shift of resources into net exports of manufactured goods, and a consequential sharp squeeze on the public sector and the services side of the private sector, where most people are employed. The danger is that these changes will bring immense financial dislocation. Here lies another risk of inflation, because history shows that British employees fiercely resist nominal pay cuts, and relative shifts in income have to be lubricated by inflation.

Some say that inflation cannot happen in an economic depression. In the 1930s, it is true, prices were falling rather than rising. But then, banks were permitted to go bust, and the money supply fell, in the US at any rate. Today failed banks are bailed out by *the state*, their debts are assumed by *the public sector and the money supply* goes on rising, albeit slowly. Meanwhile the public sector deficit will be ballooning and eventually the government will not be able to finance its debts without monetising them.

Already we are in the process of a cut in real interest rates. For nearly five years interest rates have been held high in Britain in an attempt to maintain the external value of sterling and suppress domestic inflation, matching the very high real interest rates in Germany caused by the epic clash there between fiscal and monetary policies. Remember *that the real return on index-linked* gilts touched 4¾ per cent just before Black Wednesday. That real interest rate has now tumbled to under 4 per cent. Logically the British government now has motives to push that rate much lower, both to reduce the cost of the private sector's investment in manufacturing capacity and to diminish the burden of servicing its own debt.

Obviously this carries the risk of stimulating inflation but the dramatic changes in political climate in the past few weeks have shown that the govern*ment has little real choice in what it* does. It was swept aside on Black Wednesday. It will now be tossed to and fro helplessly by developments in industry and in the financial system.

So much for prime ministers. As for investors, I suggested at the beginning of September that the golden age of British saving was about to end. There was bound to be a sharp and sudden *change of direction, which was finally* acknowledged by John Major on Tuesday. Already the net of tax return on a High Street savings account is down to about 5 per cent, and only optimists believe that will provide full protection against underlying inflation.

London Markets

Hoping for growth in pits of despond

By Andrew Bolger

THE SIGHT of a Tory government in ignominious retreat before the miners, who are still led by Arthur Scargill, seems a rum harbinger for a stock market rally.

However, the subterranean issue which linked the U-turn on pit closures and this week's rise in share prices had little to do with coal and even less with trade union power.

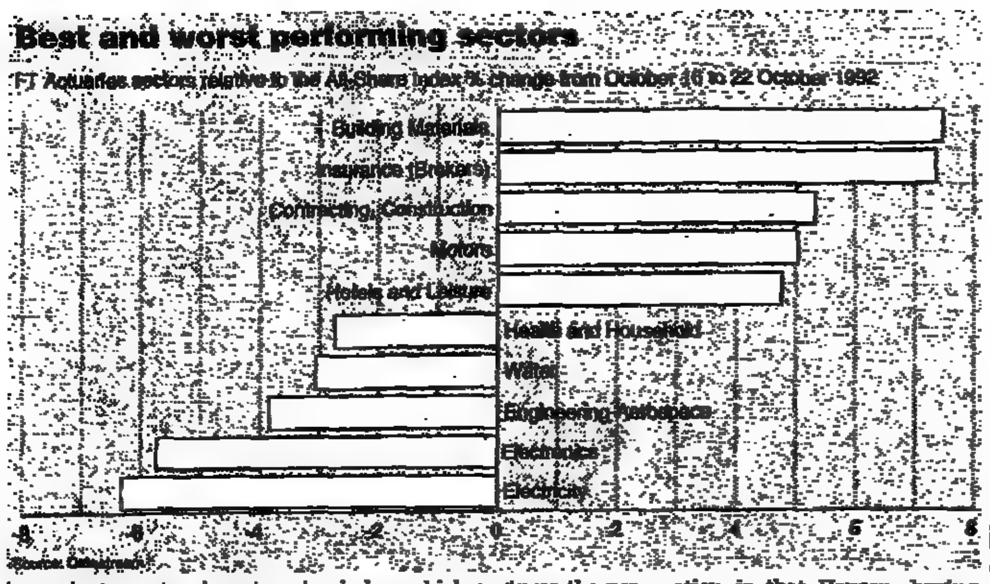
Concern that recession might be stretching into slump has recently been mounting even faster than British Coal's unwanted stocks, and it was this fear which helped fuel the threatened rebellion by government backbenchers.

A temporary reprieve for 21 of the 31 threatened pits, with the further promise of an energy policy review, was sufficient to secure John Major a slim majority. But the night before the prime minister had felt obliged to declare: "A strategy for growth is what we need; a strategy for growth is what we are going to have."

That assurance, combined with signs that German and other European interest rates are at last poised to start falling, was sufficient to boost the FTSE-100 by 105.8 points in the course of the week, sending the market to its highest level since the surge last month caused by Britain's withdrawal from the Exchange Rate Mechanism.

There was some debate as to whether this constituted yet another U-turn in government policy – or merely, as the Treasury would have it, a change of emphasis. But there was no doubt in the City that the government now sees deflation as posing a greater short-term threat to the economy than inflation.

The immediate consequences are likely to be further cuts in UK interest rates and a vigorous effort to protect capital projects from the current round of spending cuts. Public sector pay will be held down, but it now looks as if infrastructure projects such as the Jubilee Line extension will go ahead. Treasury rules concerning private sector investment in roads and railways will also be relaxed.



As the accompanying chart illustrates, these rays of hope shone most kindly on the bombed-out cyclical sectors: buildings materials, property and construction. Concern that a relaxation of monetary policy would result in higher inflation had an adverse effect on defensive, high-yield sectors such as water and electricity.

In the case of electricity, there was also a strong suspicion that the horse-trading which is about to start over the future of the pits will lead to the industry being obliged to take more of the expensive, deep-mined British coal than it wants. Four of the week's seven worst-performing FTSE-100 stocks were from this sector: Powergen, National Power, Southern Electric and Scottish Hydro-Electric.

The new FTSE Mid 250 index, which captures the performance of the medium sized-companies below the FTSE 100, illustrated how shares in smaller companies tend to lag swift changes in market sentiment. When the FTSE 100 jumped 54.8 points on Tuesday, the Mid 250 rose only 26.7. But when the FTSE 100 increased by 26.7 points on Wednesday, the Mid-250 surged ahead by 53.8. The second-line stocks continued to catch up on Thursday, when a 12.5 point increase in the FTSE 100 was outstripped by a 30.4 rise in the Mid 250.

Any doubts about the need for a change in business sentiment would have been dispelled by a grim survey from the British Chambers of Commerce, which said companies suffered from a "deeply disturbing" slide into a second leg of recession last month, and no quick turnaround was likely.

Meanwhile Hanson, the Anglo-American conglomerate, published its formal offer document for Ranks Hovis McDougall, the milling, baking and grocery products group. Hanson's £780m cash bid is the first sizeable hostile takeover in the UK stockmarket for months.

RHM has countered with a plan to demerge the group into three companies, which it says will increase value for shareholders. Analysts believe that taking the demerger route is more likely to increase the price offered by Hanson than a straight bid defence, at a time when profits in the UK milling and baking industry are under severe pressure.

However, most observers in the City believe RHM will succumb to any increased offer from the acquisitive conglomerate. An important consideration is that Hanson, having tangled unsuccessfully with ICI last year, may well be willing to a pay a premium to regain its credibility as the efficient takeover machine of old.

This week Peabody Coal, a subsidiary of Hanson, paid $200m (£128m) for the profitable Australian coal mining business of Costain, the UK construction group. Hanson also said it would look at British Coal if it was offered for sale, although it believed privatisation was a long way down the road.

Connoisseurs of the government's ever-developing energy policy may recall that Hanson spent a month in 1990 negotiating with the government to buy Powergen, before the electricity generator was privatised. The talks failed, but many commentators believed the threat of Hanson's involvement had a strong effect on PowerGen's management, increasing their willingness to take more debt on to the company's balance sheet.

If some of the 30,000 miners' jobs still at risk are to be saved, the government's review will have to find ways of subsidising the cost of the deep-mined coal they produce. Peabody, which operates open-cast and deep-mine coal mines in the US, is one of Hanson's core businesses which the conglomerate wishes to expand. The Australian purchase was the first large acquisition outside the US by Peabody.

Could the government be tempted to offer sufficient incentives to tempt a group such as Hanson to take on the problems of British Coal? Perhaps Arthur Scargill's miners are not so far removed from the stock market, after all . . .

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2669.7	+105.8	2737.8	2281.0	Government-for growth
Baltic	54	-30	124	54	Losses and cut dividend
Barclays	340	+23	410	274	Hopes of base rate cut
Berkeley	251	+25	345	166	Firm housebuilders
Cowie (T)	142	+20	166	99	Interest rate cut hopes
Fisons	229	+30	403	143	BZW "buy" recommendation
GKN	415	+39	444	281	US expansion plans
GEC	243	-10	259	183	Kleinwort "take profits"
Ocean Group	191	-25	357	170	Profits downgrading
P & O Dfd	438	+42	565	296½	Interest rate hopes
Rank Organisation	571	+57	772	444	Leisure stocks recover
Redland	362	+39	565	300	Interest rate/recovery hopes
Royal Insurance	215	+35	273	118	Market weighting/ Laing "buy" note
Southern Electric	380	-24	412½	270	Dividend increase fears
Wolseley	427	+92	479	287	Results, strong construction

Serious Money

Dividends: it's time for caution

By Philip Coggan, Personal Finance Editor

DOOMSDAY for dividends? That is the sombre title of a new review of the investment trust sector from County NatWest's gurus Hamish Buchan and Robin Angus.

The premise is that the cuts in dividends which have been occurring across the UK corporate sector have yet to be felt by investment trust shareholders. There is a natural lag in the system, with trusts still paying out dividends earned in 1991 and early 1992. But the corollary is that trust dividends will really start to show the pain in 1993.

Some may be able to meet the deficit by drawing on their revenue reserves (which is what reserves are for). But other high-yielding trusts may have few reserves to draw on. They might therefore try to maintain dividends by buying high-yielding securities, at the expense of capital performance.

In short, the investment trust sector cannot escape the pain being suffered in the real economy. County points out that UK corporate dividends fell in nominal terms in the year to August, for the first time since 1967. Meanwhile dividend cover – the ratio of corporate earnings to dividend payments – has slumped to well under two, below the historical average. This implies that, even when profits recover, dividends will not grow in line.

Before this sounds too gloomy, one should emphasise County's view that "there is no cause for undue concern about the large diversified trusts or income trusts." For example, Foreign & Colonial, the biggest trust in the sector, is given a "strong" dividend paying rating by the County team.

One should also point out the problem highlighted on Page III, namely that returns from building societies are falling. With bonus cuts in the life industry and the unit trust also facing dividend payment problems, private investors should not be frightened away from investment trusts altogether; the sector might still offer better returns than the other options.

Investors have to learn that returns across the savings field are likely to be lower for the next few years than they were in the 1980s. Single rather than double digit returns may be the norm.

So the best strategy might be to make switches within the investment trust field, rather than to abandon the sector altogether. Back in April, I suggested that those who had opted for the M&G Income Investment Trust Pep in the 1991-92 tax year might consider

'Investors should not be frightened away from investment trusts'

a transfer, now that the rules have changed to allow a full £6,000 Pep allowance to be placed in an existing, rather than merely a new issue, trust. The argument still applies.

The M&G trust stands at a 9 per cent premium to its asset value; you can buy perfectly respectable long-standing trusts at a 10 per cent discount. A switch might result in a temporary loss of income, but it should boost the long term prospects for both income and capital growth. Sadly, the market has moved against you. In April, you could have made the switch and still have seen a profit on the 100p issue price; yesterday morning, however, the packaged units were down to 95p.

Which trusts should you switch to? County NatWest cite a number of trusts which rank as "strong" dividend payers, including Electric and General, Foreign and Colonial Smaller Companies, River & Mercantile Extra Income and Value & Income. All the above stand at a discount and qualify for the full £6,000 Pep. But a stockbroker should be able to advise you on the most suitable trusts and the transfer costs.

Another part of the investment trust sector which came under scrutiny this week was zero coupon preference shares. These have been popular with private investors, because they offer the prospect of tax-free gain (for those who do not use up their annual CGT allowance).

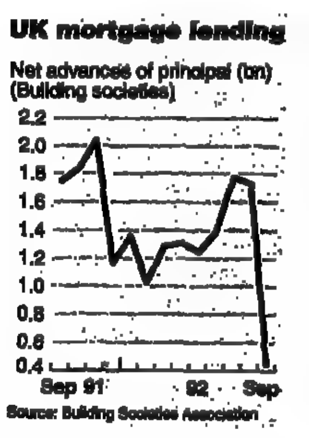
In a new report, Smith New Court argues that the market has failed to give sufficient weight to portfolio yield when valuing stocks. The argument is similar to County Nat West's. The assets of most split capital investment trusts have to grow substantially to repay the zeros. If the trust's portfolio consists of high-yielding assets, then such capital growth might be impossible. So the higher the portfolio yield, the worse for the zeros.

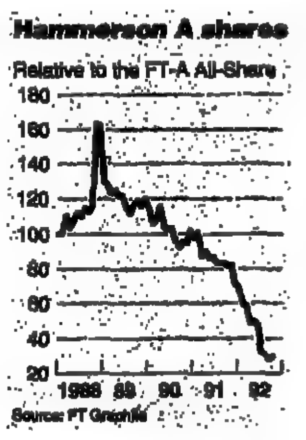
After assessing these factors, Smith New Court cites the zeros of the following trusts as "very good value": Exeter Preferred, Finsbury Growth, New Throgmorton, Sphere and TR Technology. The following zeros are ranked as "dear": Abtrust Preferred, Contra-Cyclical, EFM Income, Exmoor Dual, Olim Convertible and Scottish National.

Such is the complexity of these instruments that private investors with large lump sums should take expert advice from a stockbroker before plunging into the sector.

But the small saver who is investing £50 a month into a large general trust via a savings scheme should not be too panicked by all these calculations. Provided they are saving for the long term – at least five years – the investment trust remains one of the cheapest and most attractive vehicles in the market.

AT A GLANCE





Building societies suffer one of worst months ever

Building societies had one of their worst months ever in September. Business was sharply down for both savings and mortgage lending activities. The accompanying graph shows the sudden drop in mortgage lending which fell last month to £446m, down from roughly £1.7bn in each of the previous two months. The figure was the lowest monthly total since 1982 and was exacerbated by the end of the stamp-duty holiday in August. There was also a net savings outflow of £264m last month compared with an inflow of £327m in August.

Those struggling with their mortgage payments can refer to a new book produced by the Child Poverty Action Group, "The Rights Guide for Home Owners" which gives homeowners details of schemes to help those in difficulty. The guide is available for £6.95 (incl p&p) from CPAG, 4th floor, 1-5 Bath St, London EC1V 9PY.

Hammerson to cut dividend

Interest rates may be falling, but the troubles of the property sector are far from over. This week, Hammerson, one of the biggest companies in the sector announced plans to cut the final dividend from 17p to 6.5p, although the interim dividend is being maintained. Sidney Mason, chairman, said the recession was "both deeper and longer than any in living memory."

Cut in investment trust Pep charge

Murray Johnstone, which cut initial charges on its unit trusts Peps last week, this week reduced charges on its investment trust Pep. The initial charge has been reduced to £35 plus VAT, instead of 1.5 per cent plus VAT. The annual charge is £35 plus VAT, or 1.25 per cent plus VAT, whichever is the lower. Thornton Dresdner has launched a European Bond Fund, which invests primarily in European government securities. The estimated initial gross yield is 8 per cent. The initial charge is 5 per cent, though there is a 1 per cent discount until November 30. The annual charge is 1 per cent and the minimum initial investment is £500.

Childcare help leaflet

The Inland Revenue has produced a new leaflet "Tax and Childcare" which is in three parts. The first explains the tax rules on childcare for working parents; the second tells employers how they can get tax relief for providing child care; the third part explains when National Insurance contributions must be paid on childcare allowances. Leaflet IR115 is available free of charge from local tax offices.

Tax return reminder

If you have not yet filed your tax return form for 1991-92, you have only until October 31 to do so. The Inland Revenue may charge interest at 9.25 per cent on the amount outstanding after this date.

Cheer for smaller companies

Small company shares joined in the general euphoria of the equity market this week, as the government emphasised its plans to "go for growth". The County Small Companies Index rose 1.8 per cent to 831.03 (815.94) over the week to October 22, while the Hoare Govett Index (capital gains version) rose 2 per cent from 1054.6 to 1075.56 over the same period.

Wall Street

A Clinton chiller for the bond markets

"PRESIDENT Clinton?" said the headline on the newsstands earlier this week. Although the latest polls suggest the question is increasingly assuming a rhetorical status, the thought of a fiscally-assertive Democrat in the White House is sending chills through the US bond market, if not the rest of Wall Street.

So heavily have Treasury investors been selling government securities lately that, since the start of the month, the yield on the benchmark 30-year bond has risen more than 30 basis points to above 7.6 per cent, reversing a steady, if unspectacular, seven-month decline in market interest rates.

The sell-off in bonds reflects the fears of fixed-income investors that, if Bill Clinton is elected president, his fiscal stimulus programme could send interest rates, and possibly inflation, sharply higher.

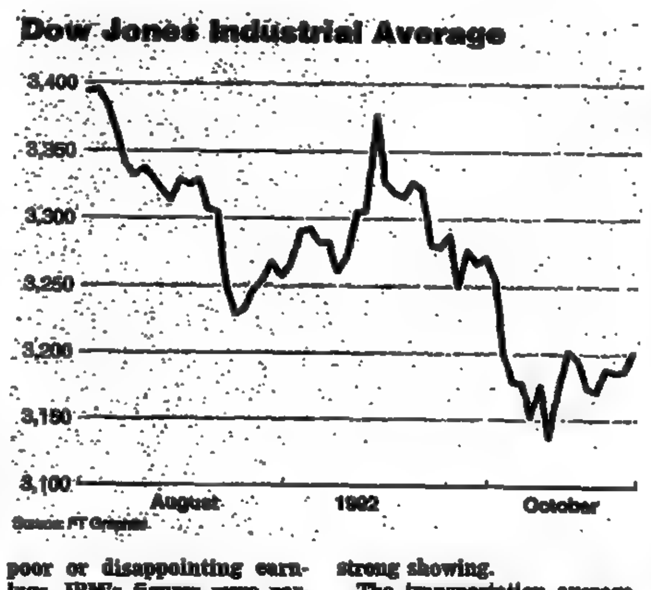
There is nothing surprising in this, except perhaps that the bond market has taken so long to wake up to the likelihood that the country will have a new president.

What is surprising, however, is the equanimity with which equity investors have greeted the turmoil in the Treasury market.

The stock market has displayed a remarkable resilience over the past few weeks in the face of three potentially unsettling factors: rising bond yields (which are usually bad for stocks because higher interest rates stifle economic activity and make bonds look more attractive); the continued likelihood of not just a Democratic victory, but quite possibly a Democratic landslide; and a third quarter corporate reporting season that has brought more than its fair share of surprises, some good, but many bad.

In spite of distractions, stocks have more than held their own, and have even posted some modest gains. The market's record, in fact, has been better than it looks, primarily because the headline-grabbing Dow Jones industrial average has been distorted by heavy losses in several influential stocks.

IBM, Merck, Westinghouse and United Technologies, four of the Dow's biggest constituents, have all suffered over the past days by unexpectedly poor or disappointing earnings. IBM's figures were particularly distressing, sending the stock this week to its lowest level in more than a decade.



Other measures of stock price performance, meanwhile, such as the Standard & Poor's 500, the Nasdaq composite of over-the-counter stocks, and the Dow Jones Transportation Average, have all put in a strong showing.

The transportation average, widely seen as a useful leading indicator of economic conditions, recorded its highest close since early August on Thursday after an impressive one-day gain, a sign to analysts that the wider market may also be rising soon. The S&P 500 has been on a roll since early October, heading towards its year high and gaining the equivalent of about 100 points on the Dow, while the Nasdaq composite has been in equally fine form.

There have been other, technical, signs of strength in the market. The fact that trading volume has been unusually high – more than 200m shares have been traded each session for the past six days – suggests that investor interest in the market may be reviving. In recent days volume has been especially heavy on "upticks" (moments when stocks are rising), a traditionally bullish sign to those hawk-like analysts who watch the ticker every day.

The derivatives markets in Chicago also has something to say about the outlook for equities. Stronger demand for stock-index put options than for stock-index call options might, at first glance, seem negative for the market. After all, anyone who buys put options is betting on share prices to fall. But to contrary-minded investors, the level of bearishness indicated by a high put-call ratio is a happy portent. It implies pessimism about the market may be close to peaking, which for the brave is always a good moment to buy stocks.

While few are suggesting that the market is poised for a major advance, if stocks can survive what remains of the corporate earnings season, and the final week and a half of the election campaign, relatively unscathed, then the foundations for an upbeat ending to the year may be in place.

There is even the possibility that investors might actually celebrate a Clinton victory after November 3. The bond market may not like his plans for big increases in government spending and middle-class tax cuts, but to equity investors frustrated by President Bush's willingness to do anything positive to end the economic malaise, the thought of a substantial fiscal boost for the economy is more than welcome.

Patrick Harverson

Monday	3188.45	+ 14.04
Tuesday	3186.02	– 2.43
Wednesday	3187.10	+ 1.08
Thursday	3200.88	+ 13.78

The Bottom Line

Looking into a black hole

IN A WEEK in which the UK Prime Minister has signalled that he wants more private investment in roads and railways, British and French shareholders have been asked if they want to put more cash into the biggest private transport project of all.

Stockholders in the Channel tunnel have until November 15 to exercise warrants offering them more shares in the project which has risen in cost since 1987 from £4.8bn to more than £8bn. If all the warrants were exercised, Eurotunnel would raise a further £100m.

But as Eurotunnel itself makes clear, the warrants are at present virtually worthless. The offer works out at around £4.50 per share. At last night's close, Eurotunnel shares stood at £3.60.

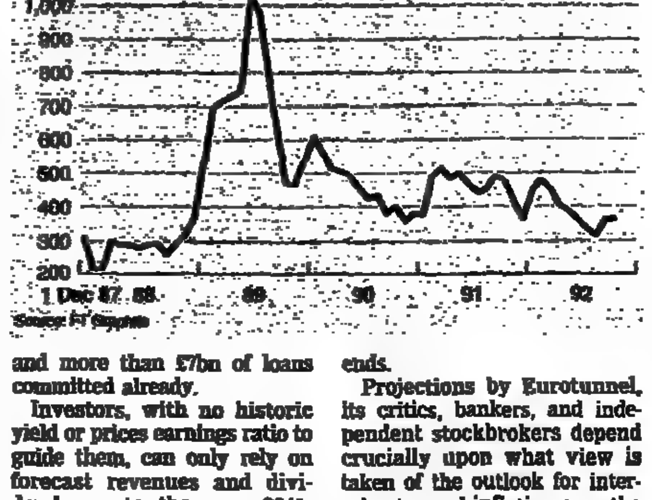
Even allowing for the easy dealing facility offered by Eurotunnel, that makes it much cheaper for shareholders to buy shares in the market than to exercise the warrants in three weeks' time.

Leaving aside the question of the warrants, should shareholders be considering putting any more money at all into a company which has still to agree with its contractors and bankers over how much extra the tunnel is going to cost, and who is going to pay for it?

It is exceptionally difficult to put a value on a company which is still more than 12 months away from producing its first pound of turnover. Profits and dividends, on the most optimistic forecast, are unlikely to appear much before the turn of the century.

The project is currently in technical breach of its loan covenants. In this situation there is a great risk that the patience of bankers will snap and they will either take over the development or demand substantial equity in return for their continued support.

Analysts calculate that the group will need to raise at least £500m more after the tunnel opens. This would be in addition to £1.5bn of equity



and more than £7bn of loans committed already.

Investors, with no historic yield or prices earnings ratio to guide them, can only rely on forecast revenues and dividends up to the year 2041, when Eurotunnel's concession to operate the Channel tunnel ends.

Projections by Eurotunnel, its critics, bankers, and independent stockbrokers depend crucially upon what view is taken of the outlook for interest rates and inflation over the next 50 years.

Stockbrokers Barclays de Zoete Wedd have devised a computer model to project the future value of Eurotunnel's shares. It says that a movement of just a quarter of a percentage point in average inflation over the period could equate to a 30p difference in the group's current share price – just over 8 per cent of Eurotunnel's market value.

Investors must thus consider forecasts of future traffic flows, fare increases, likely operating costs, interest charges, revenue and dividend projections. They must then make allowance for the fact that their money will lie idle for several years before they receive the first dividends.

The way to do this, and to take account of operational risk and the effect of inflation on future dividends, is to recalculate future earnings in today's money.

Eurotunnel has chosen a discount rate of 12 per cent, which would normally be applied to a low risk utility with a secure and easily identifiable stream of income.

Some analysts believe that this discount rate is too low, given that revenue in the first 18 months is likely to be less than previously forecast due to delays in opening and late delivery of trains.

BZW's median case, based on a 12 per cent discount rate, suggests that Eurotunnel shares are currently worth £3.36. This should rise to about £7.40 by 1999. Schroders, in a recent circular, valued the shares "at no more than 320p."

At this level there is little attraction for new shareholders unless they believe that British and French inflation will be higher and interest rates lower than the market presently expects.

Private shareholders who bought right at the beginning will have travel concessions. Whether they decide to sell or hold will depend upon what value they put on these.

Andrew Taylor

FINANCE AND THE FAMILY

Savings: where to find the best returns

Investors are faced with lower rates. ***Philip Coggan*** *and* ***Scheherazade Daneshkhu*** *guide you through the maze*

HOW MUCH interest are you getting on your savings? The answer could be: less than you think.

An instant saver account from Abbey National pays just 6.15 per cent gross (4.61 per cent net) on sums between £5,000 and £9,999. If you have more than £25,000 in Lloyds Bank's 30 day notice account, you get just 6.2 per cent gross – 4.65 per cent net if you are a basic rate taxpayer and 3.72 per cent net if you are a top rate payer. Those with £5,000 in Barclays Select (a 90 day account) are getting 5.6 per cent gross, a net 4.2 per cent or 3.36 per cent respectively for basic and top rate payers.

Most savings accounts normally offer a lower return than the prevailing level of base rates. Now that base rates are 8 per cent, double digit savings returns are hard to find. To get anything more than 8 per cent, you will need a large sum or you will have to look in other places than the very largest banks and building societies. And even then, you will probably have no guarantee that the rate will stay competitive.

Those who stick with an instant access account at a big bank or building society, may well find that their net returns are not much better than inflation (currently 3.6 per cent).

That may not be all the bad news. There was speculation this week that base rates may have to fall to 6 per cent, if the government is to kick start the economy. Such a change would result in savers' incomes falling by a quarter.

So what are the best returns at the moment? Moneyfacts has provided us with its normal weekly table of highest rates (on Page IV) but we also asked it to tell us the returns available from banks and building societies on £10,000, £25,000 and £50,000.

■ £10,000

On an instant access account, Moneyfacts points to the Scarborough Building Society (0800-590578) which is paying 9.85 per cent gross and the Bristol & West (0800-100117), which offers 9.65 per cent. These rates are better than any notice account, where the top rate is City & Metropolitan's 60 day account (081-464-0814), paying 9.5 per cent.

Those who want a fixed rate can get 9.67 per cent gross from the Beneficial Bank (021-633-4400), or 9.0 per cent from Portman BS (0202-292144). Both have a one year fixed term so should not be chosen by those who *might wish to withdraw their* money early.

Colin Jackson, of Baronworth Investment Services, (081-518-1218) has details of a Tessa which will pay 9.3 per cent for those prepared to invest a lump sum of £8,650. After five years, this sum will turn into £13,061.

■ £25,000

Scarborough and Bristol & West also offer the best instant access rates at this level. The former is offering 10.1 per cent gross, and the latter 9.75 per cent.

On notice accounts, Moneyfacts points to the Cheshire BS (0800-243278) which is paying 10 per cent on its 100 day account. The Beneficial Bank again leads the fixed rate field at this level, with a rate of 10 per cent gross.

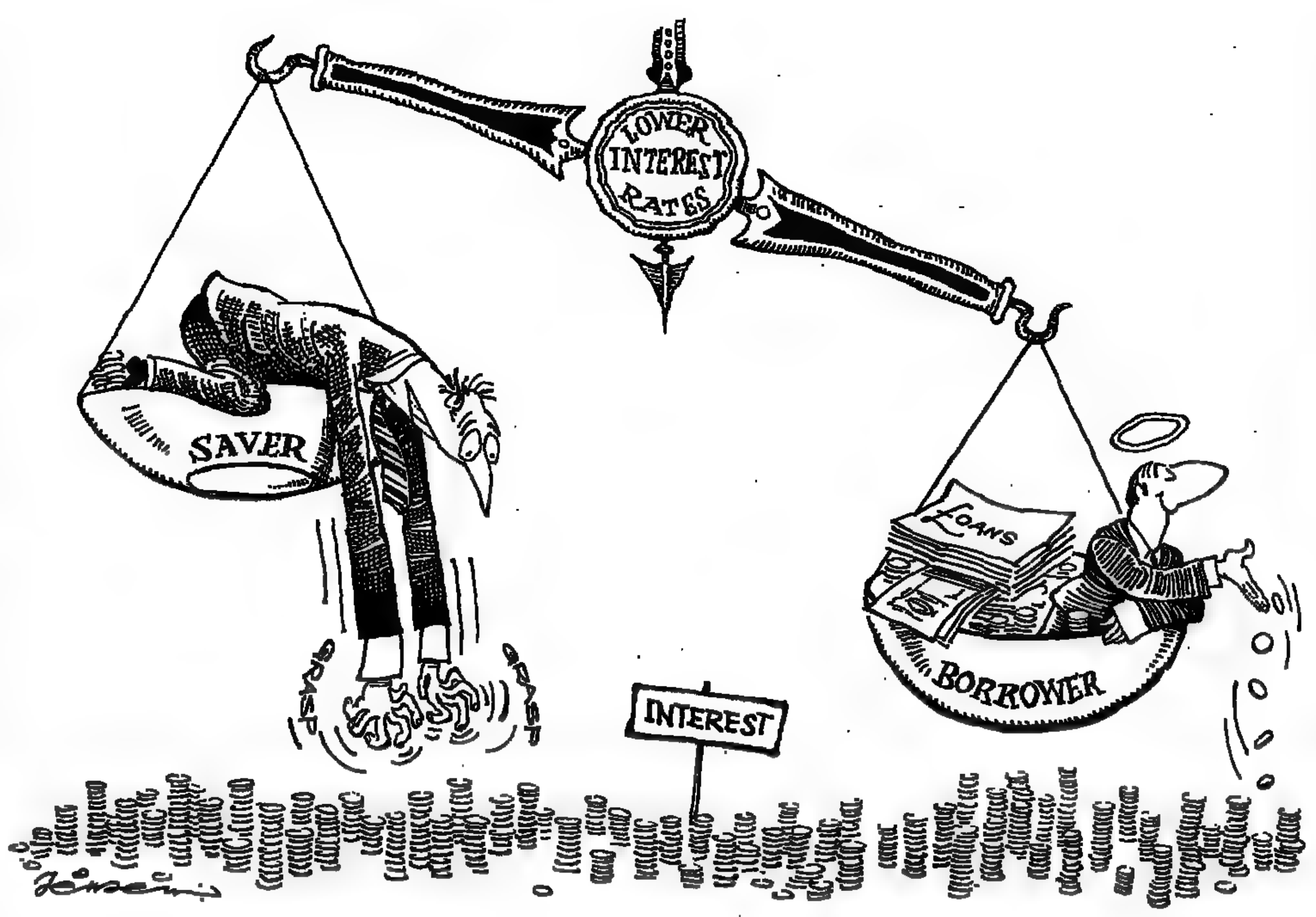
■ £50,000

The best instant access returns at this level are provided by the Scarborough (10.15 per cent gross) and by the Leeds & Holbeck BS (0532-438292), at 9.8 per cent. The 100 day account from Cheshire BS pays 10.5 per cent on £50,000, with this rate fixed until the end of the year. Beneficial Bank also pays a 10 per cent fixed rate on £50,000 for those prepared to invest for the one year term.

What about the rule that higher reward means higher risk? It is a thin line between shopping around for the best rate and taking an unnecessary risk with your savings.

The *Weekend FT* cannot vouch for the safety of any financial institution and any mention on these pages does not imply a recommendation. Investors can study the accounts of the quoted institutions, but many deposit-takers are privately-owned. And as the Bingham report showed this week, one cannot rely on the regulatory bodies to protect the investor.

The investor's main protection is the Deposit Protection Act, which guarantees 75 per cent of the first £20,000 sterling deposits; ie a maximum protection of £15,000. The building society protection scheme covers 90 per cent of the first £20,000, equivalent therefore to a maximum limit of £18,000. So those who invest more than £20,000 with one institution should be aware that they are taking on a slightly higher risk.



The good news for bank and building society depositors is that there are other choices which provide higher, or in some cases more certain, returns.

■ National Savings

Although rates on National Savings products have fallen in recent months, they still offer safety and tax efficiency. The 39th issue certificates pay 6.75 per cent tax-free if held for five years, equivalent to a 9 per cent gross return for basic rate taxpayers and an 11.25 per cent return for top rate payers.

Non-taxpayers will find Capital Bonds more suitable, since interest is paid gross. The present Series F pays 9 per cent compound when held for five years.

The First Option bond, which is aimed at basic rate taxpayers, is offering a rate of 6.5 per cent net over one year, on a minimum of £1,000. This compares favourably with, for example, Abbey National's instant saver account, paying 4.35 per cent net. Those who want to put away £20,000 or more in the First Option Bond will earn a slightly higher rate of 6.8 per cent net.

But perhaps the most attractive deal at the moment is offered by the index-linked certificates, which pay a tax-free 4.5 per annum over the retail price index, when held for five years.

Inflation would have to average under 2.25 per cent over the next five years for the 39th issue to beat the rate on the index-linked certificates. And if inflation stayed at the current level of 3.6 per cent for five years, the return would be 8.1 per cent – the equivalent of 10.8 per cent for the basic rate payer and 13.5 per cent for the top rate payer.

The snag is that these certificates do not pay income. It is possible to create an income flow by cashing in certificates early, but this reduces the return. Indeed, savers should be aware that returns on these certificates will be meagre if cashed in within the first two years.

There is a income-producing product from National Savings, but rates are variable. Income bonds pay a gross variable rate of 9 per cent but this will decrease to 8 per cent gross from November 5.

■ Gilts

These also rank high on the safety front, since they are bonds issued by the government. They pay a fixed rate of interest, so investors are protected against falling rates.

Gilt yields have fallen substantially in recent weeks, but it is still possible to lock in to rates at over 8.5 per cent. The cheapest way to buy gilts is via the post office, although this may be slower than via a stockbroker. Yields could fall while the deal is going through.

It is the tradeability of gilts which makes investing a tricky business. Most gilts have a face value of 100, and you can be sure of receiving that sum if you wait until the gilt is repaid by the government. But if you need to sell before the repayment date, you may not get your capital back.

Indeed, the vast majority of gilts currently trade at above the face value. For example, on Friday morning, the Treasury 13 per cent 2000 was trading at 126¾. If you bought the issue at that price, you would get a gross annual income of £10.27 for every £100 you invested.

But if you held the gilt till the year 2000, you would lose a fifth of your capital, which reduces the redemption yield to 8.26 per cent.

■ Guaranteed income bonds

These are issued by insurance companies and offer a fixed rate of return, paid after deduction of basic rate tax. An element of safety is built in by the Policyholders Protection Act, under which 90 per cent of a policyholder's investment is protected. However, rates are pretty low at the moment, so a substantial sum is needed to beat base rates. Liberty Life, for example, is offering 7.35 per cent net (the equivalent of 9.8 per cent gross) to those who invest £50,000 for three years (more details on Page IV).

■ PIBS

Permanent interest-bearing shares (PIBS) are a relatively new form of fixed interest investment, available from building societies as a way of raising capital after legislation was passed in June last year.

Their main advantage is the relatively high rates of fixed interest they pay. For example, when Britannia building society launched its second tranche of Pibs earlier this month, the shares carried a fixed coupon of 13 per cent and a yield at issue of 12.14 per cent. The yield yesterday was 11.89 per cent.

This rate is higher than for gilts – but not without reason. It reflects the increased risk of buying shares backed by a building society rather than the government.

There are a number of other drawbacks. The shares are undated, which means that the building society is not under obligation to pay back the original capital (unless it is wound up). You would therefore have to sell your shares in order to encash them and this can only be done through a stockbroker, who will charge commission.

The minimum denomination is usually quite high since Pibs are aimed mainly at the institutional market. Cheltenham & Gloucester, for example, which launched an issue this week, had a minimum holding of £50,000. However, the minimum holding in Britannia's issue is £1,000.

PIBS are deeply subordinated, which means that in the event of a wind-up you would be behind depositors in the queue for compensation. And if one PIBS issuer got into difficulty, prices might fall across the sector. They should therefore be handled with caution.

Lower mortage rates filter through

*Lenders are trying to entice first-time buyers, says **Scheherazade Daneshkhu***

Banks and building societies offered a flood of lower mortgage rates this week, the markets having finally digested last week's base rate cut. It followed the trickle from Abbey National and a few others last week.

None matched the Bank of England's one percentage point cut. Most lowered rates by around 0.7 of a point.

Since Cheltenham & Gloucester already *had* one of the lowest standard variable rates on the market, its 0.7 point cut pushed its new rate down to 9.05 per cent, undercutting the competition.

Norwich & Peterborough lowered its rate to 9.2 per cent while lenders which cut rates to 9.25 per cent this week *included* National Westminster, Bradford & Bingley, Chelsea, Confederation bank, First Direct, Midland, TSB, West Bromwich and Yorkshire building society.

Most are with immediate effect for new borrowers and from December 1 for existing customers. Midland's rate is available from Monday for new borrowers and TSB is applying the new rate to all borrowers from December 1.

Nationwide, Halifax, Barclays and Alliance & Leicester lowered rates to 9.29 per cent immediately for new borrowers with existing customers having to wait until December 1.

Lloyds Bank and Woolwich *building society* settled on a cut to 9.3 per cent, with Lloyds new rate available on November 30 for all borrowers and Woolwich's rate on offer immediately for new borrowers and December 1 for existing customers. Scarborough reduced its rate to 9.35 per cent.

Most lenders are offering discounted rates to entice first-buyers. Those of particular note include Woolwich's rate of 6.95 per cent held for one year for new buyers on loans of over £60,000. There is no arrangement fee but the rate is only available on pension or endowment mortgages and buildings and contents insurance has to be taken out with the society.

Barclays is offering a one-year capped rate of 6.99 per cent for new buyers with an arrangement fee of £250 and the obligation *to take* out a full-term life policy if the mortgage is on a repayment basis.

National & Provincial has a guaranteed rate until January 1 1995 of between 7.5 per cent and 7.99 per cent for new borrowers depending on the size of the loan. The arrangement fee is £150 and buildings and contents insurance has to be taken through N&P.

New fixed rate mortgages include 7.5 per cent for two years and 7.99 per cent for three years from Yorkshire building society, available on all types of mortgages. Borrowers will have to pay a £175 arrangement fee and take out the society's buildings and contents insurance. The early redemption penalty is three months interest within the fixed rate period.

A fixed rate of 8.2 per cent on all types of mortgages of £60,000 and over is being offered by Norwich and Peterborough but the rate is only held until *May 1 1993*. There is a £95 fee and buildings insurance has to be taken out with the society.

TSB has brought out a *two-year mortgage capped at* 7.5 per cent for two years, available on endowment loans with a £250 fee and two fixed rate mortgages – a three year rate fixed at 7.85 per cent and a five year fixed rate of 8.25 per cent, which can be taken out on both repayment and endowment mortgages. The fixed-rate loans carry an arrangement fee of £195.

Halifax is also offering a longer term fixed rate mortgage of 8.25 per cent held until January 1 1997 on all types of mortgages with an arrangement fee of £250 and early redemption penalties.

Chelsea's rate of 7.95 per cent fixed until December 31 *1994 is not tied to the sale of* insurance related products and is available on all types of mortgage. The arrangement fee is £195. The early redemption penalty is three months interest in the period of the fixed rate; otherwise it is one month.

Northern Rock has brought out a two-year stepped fixed rate mortgage. The rate is pegged at 6.99 per cent until November 1 1993 and then at 7.99 per cent until January 1 1995.

The arrangement fee is £150, buildings and contents insurance has to be taken out with the society and there is an early redemption penalty of three months' interest.

New capped rate mortgages are offered by TSB with a rate capped at 7.5 per cent for two years, available on endowment loans with a £250 fee.

'Leeches' at the pit heads

WHILE most of Britain regards the prospect of *30,000 redundant coal* miners as a disgrace one segment of the population scents an opportunity. Commissioned sales agents of the life insurance and pensions industry are besieging coal fields trying to persuade soon-to-be redundant miners of the virtues of personal pensions, according to a miners' union.

"They heard the announcement and they thought Pandora's box had opened," said David Prendergast, deputy vice president of the Union of Democratic Mineworkers. Prendergast said that at every pit named for closure, at least one insurance sales agent had *planted himself on the premises to col*lar workers going in and out of the pits.

"We've had them banned from the colliery curtilage," said Prendergast. He described the agents as "leeches" and said the UDM had retained a financial adviser to urge redundant miners to remain in British Coal's pension *scheme.*

Ironically, British Coal's pension scheme offers benefits and inflation-proofing above the national average. The Mineworkers Scheme offers annual increases to deferred pensions broadly in line with the retail price index up until retirement age and are index-linked while in payment. Also, the scheme offers widows and dependents benefits, unlike personal pensions.

Paul Trickett, secretary to the Mineworkers Pension Scheme, said in the last two years, 23,000 members have opted out of the scheme taking pensions valued at £400m with them. "We *estimate that the insurance industry* has earned £20m from redundant coal miners in the past two years," he said.

Anxiety that members are being urged to switch out of the scheme by sales agents in search of a commission cheque prompted the Mineworkers *Scheme to retain actuaries Mercer* Fraser. Mineworkers who request a transfer out of the scheme receive a fact sheet giving the merits of the scheme compared with a personal pension.

John Betts of *Mercer Fraser said that* since September, many of those who had planned to transfer out have changed their minds. That, however, has irritated commissioned sales agents, some of whom have called Mercer Fraser to complain bitterly.

"They have *threatened* to report us to Lautro (the insurance regulator)" Betts said. The problem is that the sales pitch involves the display of a personal pension's projected earnings 20 to 30 years *into the future. "We send them a letter* telling them that the high number might not be so much in 20 years time after the effects of inflation," Betts said.

Norma Cohen

A gold mine: miners and their pensions

Save & Prosper's bond

THE guaranteed equity bond may just be the marketing man's ideal investment product for the 1990s. It is not without flaws, but it could be the only way of persuading nervous investors to put their money into shares.

This week, Save & Prosper became the latest company to launch a product into this crowded field. Its Guaranteed Stock *Market* Bond offers a near-exact matching of the FT-SE 100 Index's capital growth over five years with the promise of your money back if *the index does not rise.*

Save & Prosper says that 99 per cent of the original investment will increase in line with the Footsie; and those who invest before November 27 will get a 1 per cent bonus, effectively increasing the index-matching promise to 100 per cent.

There is a further option available, for those who fear that the market might plunge in the period just before the bond is encashed. Every time the market rises by 10 per cent (subject to a maximum of 50 per cent), the bond will lock in this gain. So if the market were to rise by 35 per cent and then fall back, the investor would have secured a 30 per cent gain. The price for this further guarantee, however, is that only 92 per cent of the investment is increased in line with the index.

Save & Prosper has calculated that over the most recent five calendar year periods, the bond would have beaten a building society higher rate account. For example, over the five years to January 1 1992, Save & Prosper's bond (with the bonus) would have turned £5,000 into £7,425; the building society would have grown the same sum into £7,285.

Although the difference is pretty marginal, Save & Prosper points out that the five year period includes the Crash and that interest rates were much higher than they are likely to be over the next five years.

So what are the snags? For a start, you must hold your investment for five years. If you want to withdraw your money early, the guarantee will *not* apply. Your return will depend on the level of the market, minus an unspecified administrative charge which Save & Prosper will apply.

The second snag concerns higher rate taxpayers. Unlike some other guaranteed products, returns on the bond are free of basic rate. But higher rate payers will face a charge on their gains equivalent to the difference between basic and top rate tax (currently 15 per cent).

If they had invested in a unit or investment trust, gains would be subject to capital gains tax. Few people make enough gains to cross the £5,800 CGT threshold.

The third snag is that the bond pays no income. Not only that, but the investor does not benefit from the dividend yield on shares, currently 4.7 per cent. That can make quite a difference over five years. An indexed fund, such as Gartmore's All-Share Tracker, aims to match the index and pay an income on top.

Logic would suggest, therefore, that if you expect the market to rise over the next five years, a tracker fund will give a better return (especially for higher rate payers) than the Save & Prosper fund. And if you do not expect the market to rise over five years, do not invest in an equity-based product – go for gilts or national savings.

But logic is rarely the guiding principle in finance. Save & Prosper's research suggests that people would like to invest in equities, but are turned off by the fear of capital loss. A product such as the guaranteed bond helps overcome this psychological barrier, and could be a key marketing tool for the financial services industry.

Philip Coggan

The Week Ahead
Wellcome under scrutiny

Wellcome, the UK pharmaceuticals group, reports its full-year results on Wednesday. Few surprises are expected and pre-tax profits of between £500m and £505m are forecast (£402.9m last year).

Sales of Zovirax, its herpes, shingles and chicken pox treatment, should have topped £600m for the year, putting it in the world's top ten selling drugs for the first time.

Wellcome's margins will also be under scrutiny. The new management has undertaken to increase margins to 30 per cent by 1996. Analysts *believe they should improve* 2.4 percentage points to about 27 per cent this year.

Imperial Chemical Industries, Britain's biggest manufacturer, announces its third quarter results on Thursday. They will be watched even more carefully than usual because of the proposed split of the company next year into two separate groups. Pre-tax profits are likely to be grim, at around £100m compared with £196m last year.

Most of analysts' predictions for next year are based on an upturn in the cycle. A gloomy forecast from Sir Denys Henderson, chairman, is likely *to lead to further downgrades.*

Marks and Spencer, which singlehandedly accounts for some 30 per cent of the market capitalisation of the stores *sector, is likely to make some* encouraging noises about its trading prospects when it reports its interim results on Wednesday.

Against a background of ambivalent signals about the state of consumer spending, M and S's views will be seen as being of critical importance in gauging sentiment towards the sector.

Stringent cost control measures will have enabled the company to lift pre-tax profits by as much as 16 per cent to £250m. The company's aggressive "Outstanding Autumn Value" advertising campaign is also likely to add to its confident mood.

However, M and S's food business, which accounts for 40 per cent of sales, will have continued to face severe competitive pressures.

Blenheim Group, the exhibitions manager, is expected to announce pre-tax profits of about £34m for the year to 31 August when it announces second interim results on Tuesday.

Analysts will be watching for signs Blenheim's recent rapid growth is slowing, and for the trading outlook in its important French market.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Blystad§	5.4	3½	4½	7.50	Abbot Hldgs
Cahill May Rob.	93	83	54	I£24.66	AAH Hldgs
Continuous Stat.‡	40*	38	34	6.80	Prontaprint
RHM	220*	249	175	782.2	Hanson
TVS Entertainment	25	21½	18¾†	15.50	Int Family Ent
Do. Pref.	45	43	38†	22.50	Int Family Ent

*All cash offer.††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30 pm prices 16/10/92. §§Shares & cash. † Price at suspension.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Allwoods	Jul	35,600	(38,700)	8.06	(12.4)	5.0	(5.0)
Castle Comms	Jun	1,360	(782)	10.4	(6.0)	8.5	(8.5)
Cradley Group Hldgs	Jun	1,050	(807)	2.1	(1.6)	1.05	(1.0)
Dunton Group	May	803 L	(4,450 L)	-	(-)	-	(-)
Essex Furniture	Jun	727	(497)	5.03	(3.25)	2.75	(2.25)
Ex-Lands	Jun	65	(8 L)	0.1	(0.06)	-	(-)
Exmoor Dual Inv	Aug	943†	(878†)	1.88	(1.96)	10.55	(10.5)
Ferry Pickering	Aug	674	(2,280)	4.41	(12.7)	5.5	(5.5)
Fisher (Albert)	Aug	52,100	(69,000)	5.6	(10.0)	3.75	(3.75)
London & Strathclyde	Aug	1,710†	(1,770†)	5.74	(5.74)	5.75	(5.75)
Lowland Inv Co	Sep	2,770	(2,730)	8.75	(8.73)	8.5	(8.1)
McKechnie	Jul	24,100	(19,900)	20.7	(17.0)	14.75	(14.75)
Micklegate Group	Apr	4,750 L	(806 L)	-	(-)	-	(-)
Murray Split Capital	Aug	1,030†	(-)	12.83	(-)	11.6	(-)
MY Holdings	Aug	2,020	(547)	3.41	(1.66)	1.0	(0.5)
New Cavendish Est	Jun	369	(28)	2.17	(0.2)	-	(-)
Paterson Zochonis	May	26,600	(25,400)	33.6	(32.2)	11.46	(10.4)
Ptarmigan	Jun	735 L	(2,670 L)	-	(-)	-	(-)
Regal Hotel	Dec	844 L	(11,700 L)	-	(-)	-	(-)
River & Merc Extra	Sep	2,610†	(2,710†)	7.07	(6.31)	7.87	(6.74)
Smiths Industries	Jul	102,200	(109,800)	28.3	(25.2)	11.25	(10.7)
Wolseley	Jul	91,300	(80,300)	26.3	(23.3)	12.5	(12.1)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abtrust New European	Aug	193†	(192†)	-	(-)
Airflow Streamlines	Aug	860	(5)	1.0	(-)
Alexandra Workwear	Jun	672	(247 L)	1.8	(1.8)
Anglo St James	Jun	289 L	(499 L)	-	(-)
Baltic	Jun	2,730 L	(5,620)	0.5	(1.83)
[illegible] Holdings	Aug	70 L	(403)	-	(2.0)
Boot (Henry)	Jun	2,210	(2,070)	1.6	(1.5)
Bozmore Int'l	Jun	2,050	(1,670)	1.15	(1.07)
British & American	Jun	597	(690)	3.8	(3.37)
Brooks Service	Jun	104 L	(336)	-	(1.3)
Chesterfield Props	Jun	3,390	(2,370)	3.5	(7.0)
City of Oxford	Sep	781†	(627†)	1.2◆	(1.2◆)
Craig & Rose	Jun	134	(40)	2.0	(2.0)
Edinburgh Inv Tst	Sep	17,600	(19,100)	2.85	(2.85)
English National	Sep	320	(301)	5.0	(5.0)
Essex Water	Sep	9,400	(9,500)	36.8	(36.6)
Farnell Elec	Jul	15,400	(13,300)	2.8	(2.8)
Ferguson Int'l	Aug	4,700	(4,170)	4.25	(4.25)
Finsbury Tst	Sep	465†	(430†)	1.2	(1.2)
First Maryland	Sep♠	37,600§	(29,600§)	-	(-)
Forward Tech	Jun	539 L	(535)	-	(-)
Gerrard & National	Oct	-	(-)	8.0	(8.0)
Gieves Group	Jul	530 L	(467 L)	-	(-)
Hammerson Property	Jun	23,300	(31,100)	3.5	(3.5)
Hewitt Whiting	Jun	1,360 L	(178)	-	(-)
House of Lerose	Jun	51	(425)	3.0	(3.0)
Hunting	Jun	13,450	(15,560)	4.0	(4.0)
I&S UK Smaller	Sep	721	(72)	1.0	(-)
Le Creuset	Jun	1,150	(1,100)	-	(-)
London Atlantic	Sep	701♥	(647♥)	0.76	(0.75)
Marine Midland	Sep♠	29,900●	(56,900L●)	-	(-)
Midland & Scottish	Jun	1,600 L	(3,000 L)	-	(-)
New Throgmorton Tst	Sep	734†	(1,750†)	1.5◆	(1.5◆)
NMW Computers	Jun	1,230 L	(278)	-	(-)
Quadrant Group	Aug	4,890 L	(940)	-	(1.66)
Radiotrust	Jul	21 L●	(33●)	-	(-)
Scottish Mortgage	Sep	-	(-)	1.35	(1.3)
Sketchley	Oct	3,110	(3,150)	1.0	(-)
Smith (James) Est	Sep	669	(567)	1.4	(1.25)
SmithKline Beecham	Sep♠	272,000	(252,000)	2.075‡	(1.87‡)
Suffolk Water	Sep	2,400	(1,800)	23.7	(23.5)
Tharsis	Jun	180	(16)	2.0	(2.0)
Tottenham Hotspur	Aug#	773	(-)	3.0#	(-)
Value & Income Tst	Sep	790†	(804†)	1.8	(1.62)
Venturi Inv	Sep	135	(137)	1.46	(1.4)
Wagon Industrial	Sep	8,520	(8,020)	6.32	(6.32)
Wensum Co	Jul	48 L	(332)	0.87	(1.15)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † = Net revenue. ● = Net profits/loss. ♣ = Figures for three months. # = Special interim dividend. ‡ = Third interim dividend. ♠ = Third quarter figures. ● = Net earnings quoted in US dollars. § = US dollars. ◆ = Second interim dividend. ♥ = Available revenue.

RIGHTS ISSUES

Greenalls Group is to raise £88m via a 1-for-5 rights issue at 295p.
Regal Hotel is to raise £800,000 via a rights issue of 15 new shares of ¼p for each existing 2p share at ½p.
Wagon Industrial is to raise £30.8m via a 1-for-4 rights issue at 335p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Blenheim Group	Tuesday	7.0	5.5	2.7
Bridport-Gundry	Tuesday	1.5	2.6	1.5
British Assets Tst	Friday	1.0	1.04	1.04
Contra-Cyclical Inv	Thursday	-	-	-
Govett Strategic Inv Tst	Thursday	2.65	4.1	2.65
Int'l Media Comms	Monday	-	-	-
Investors Capital Tst	Friday	1.275	1.275	1.275
Majedie Inv	Wednesday	2.5	6.5	2.5
Manganese Bronze	Friday	-	1.0	-
New Frontiers Development Tst	Tuesday	-	0.25	-
Pressac Holdings	Tuesday	0.75	1.65	0.75
TR Far East Inc Tst	Friday	1.1	2.2	1.1
Wellcome	Wednesday	3.0	7.0	4.0
INTERIM DIVIDENDS				
Abtrust New Thai Inv Tst	Wednesday	-	1.0	-
Bertam Holdings	Wednesday	-	2.5	-
Beverley Group	Friday	0.825	-	-
Blacks Leisure	Wednesday	1.1	2.25	-
Bradford Property Tst	Tuesday	2.0	2.45	-
British Syphon Industries	Tuesday	-	3.0	-
Castle Mill	Wednesday	-	-	-
French Connection	Friday	-	-	-
Gresham House	Friday	-	-	-
ICI	Thursday♣	21.0	34.0	21.0
Jackson Group	Wednesday	1.0	1.0	-
Jupiter Tyndall Group	Tuesday	2.0	3.0	-
Landu Holdings	Wednesday	-	0.3	-
Marks & Spencer	Wednesday	2.1	5.0	-
Moss Bros	Monday	1.5	3.5	-
Ocean Wilson	Friday	0.75	-	-
Reed International	Friday	5.25	10.75	-
Rowe Evans Inv	Thursday	-	1.0	-
Securities Tst of Scotland	Wednesday	1.00	2.17	-
Shiloh	Wednesday	0.875	1.875	-
Telegraph	Wednesday	4.5	10.0†	4.5
United Energy	Wednesday	-	-	-
Warnford Investments	Tuesday	2.75	4.5	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ♣ = Third quarter figures. † = Special dividend.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£250	9.00%	Yly
Bristol & West BS	Balmoral A/C	0800 100117	Instant	£2,000	9.65%	Yly
Scarborough BS	First Post Plus	0800 590578	Instant	£25,000	10.10%	Yly
				£50,000	10.15%	Yly
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£10,000	9.50%	Yly
Newcastle BS	Nova Star	091 232 0676	1 Year	£5,000	10.10%	Yly
Chelsea BS	Premier V	0800 272505	31.1.95	£10,000	10.75♠	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	11.68%	Yly
Julian Hodge Bank		0222 220800	5 Year	£20	11.00%	Yly
Darlington BS		0325 487171	5 Year	£1	11.00%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	10.50%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
UDT	Capital Plus	0734 580411	Instant	£1,000	7.25%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	7.50%	Yly
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000	8.60%	Yly
				£25,000	9.10%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	Intl Gross	0481 715735	Instant	£500	7.75%	Yly
Halifax Int (Jersey) Ltd	Deposit Intl	0534 59840	Instant	£10,000	9.00%	½Yly
Bristol & West Intl Ltd	Intl Premier	0481 720609	Month♣	£5,000	9.05%	Yly
Alliance & Leic (IOM) Ltd	Investment Bond	0624 663566	1 Year	£10,000	9.50%	Yly
GUARANTEED INCOME BONDS (Net)						
Alico FN		081 680 7153	1 Year	£50,000	6.05%	Yly
Alico FN		081 680 7153	2 Year	£20,000	5.55%	Yly
Liberty Life FN		081 440 8210	3 Year	£50,000	7.35%	Yly
Premium Life FN		0444 458721	4 Year	£1,000	6.30%	Yly
Cornhill Assurance FN		0800 521543	5 Year	£1,000	7.00%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	7.25%	Yly
(8.00% wef 5.11.92)	Income Bonds		3 Month	£2,000	9.00%	Mly
	Capital Bonds F		5 Year	£100	9.00%F	OM
	First Option Bond		12 Mths	£1,000	8.67%F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	39th Issue		5 Year	£100	6.75%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond D		5 Year	£25	9.10%F	OM

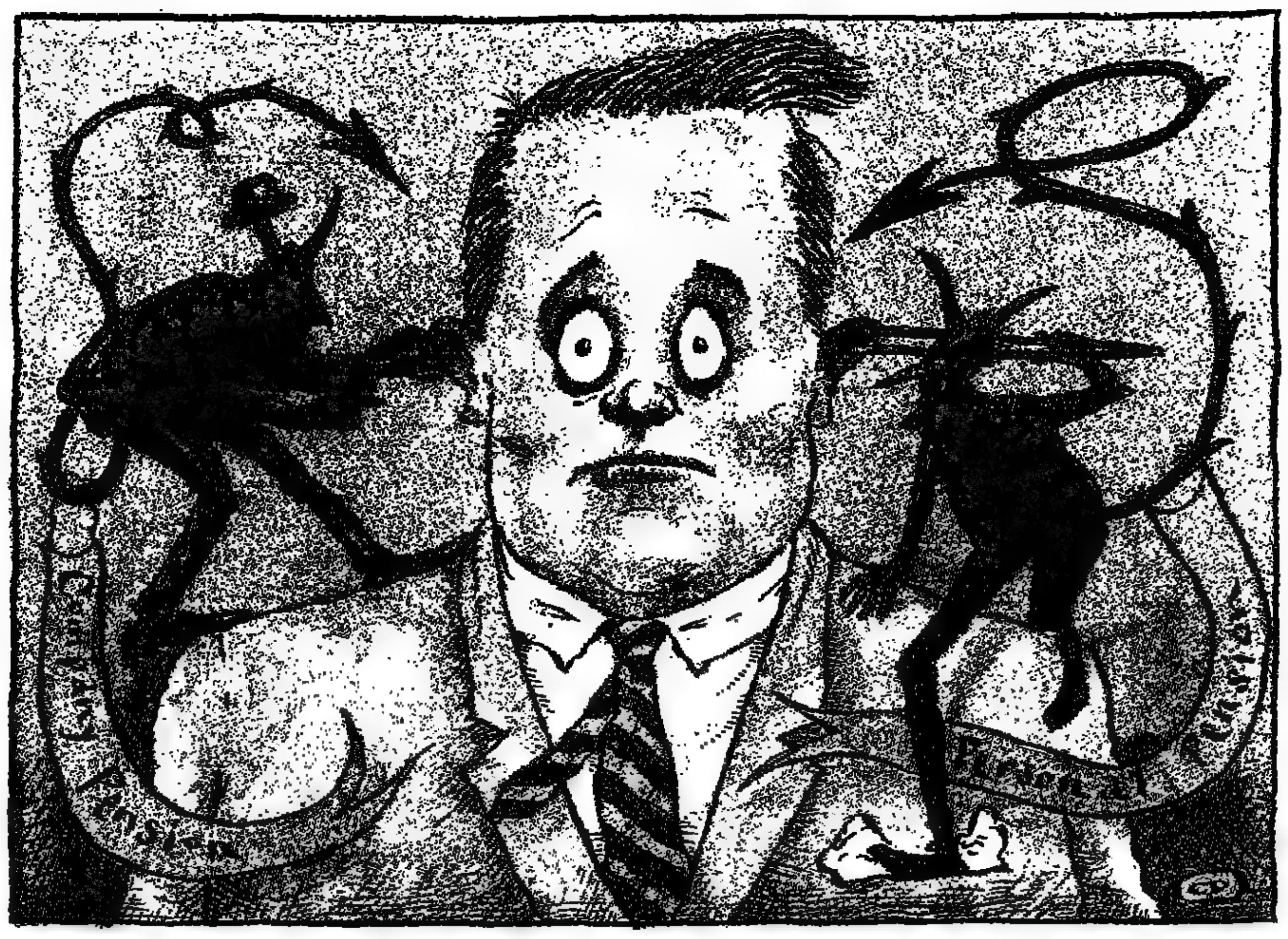
This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. ♠ = Rate fixed only until 1.2.93. ♣ = After 6 month qualifying period. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Walshams House, Stalham, Norwich. Readers can obtain a complimentary copy by phoning 0692 582808.

FINANCE AND THE FAMILY

Planning Your Pension

Transfer temptations: the pros and the cons

*Those moving jobs face a devilishly tricky decision over their accrued benefits. **Eric Short** weighs the options*



EACH YEAR, millions of employees in company pension schemes leave their jobs. Many seek the services of an independent financial adviser or a life company representative to help them decide whether to leave their accrued benefits in the old scheme or transfer those benefits to another pension arrangement – either to another company scheme or to a pension contract with a life company.

But in many cases employees have not been given what is regarded as best advice. Fimbra and Lautro, the regulatory bodies, have both issued guidance on the subject which effectively tells intermediaries that they must make a thorough investigation of the circumstances before advising clients. If in doubt, they should not recommend a transfer.

The problem for employees, and for those intermediaries advising them, is that precise comparisons between the alternatives are impossible because *the contracts are different.*

> *'A personal pension or a buy-out is still a lottery'*

The company scheme provides a pension whose value has certain guarantees and some protection against inflation, and which does not depend on the investment performance of the fund or annuity rates. In addition, the scheme will offer a spouse's pension, together with other possible fringe benefits such as paying a pension early because of ill-health.

In contrast, a personal pension or buy-out contract from a life company operates on the money purchase principle, in that the transfer value is invested and the accumulated value used to provide a pension through buying an annuity. The value of the ultimate *pension depends on investment* performance and annuity rates. The buy-out has some guarantees, but the personal pension has none.

This uncertainty does not mean that the pension will be lower, as implied by many commentators. But a personal pension or a buy-out is a lottery and like most lotteries there are winners and losers. The task of the adviser is to decide whether recommending a *transfer will provide* a winner or a loser.

So, how should you decide *between a transfer into a* corporate and a personal pension scheme? A leading consulting actuary adopts the following approach.

First, the consultant sets out the benefits provided if the employee leaves his accrued rights in the company scheme. This shows: (1) The pension entitlement at the normal pension age of the scheme. This should show the value at the date of leaving employment *and the expected value at* retirement, assuming the present statutory increases and present company policy are continued. (2) The cash option available at retirement. (3) The spouse's pension paid on the death of the employee if this occurs after retirement. (4) The spouse's pension paid if the employee dies before reaching retirement age. (5) The pension available on early retirement. (6) The amount of transfer value available in lieu of the deferred benefits and the period for which this value is guaranteed.

If the arrangements are not completed by this date, the employee must obtain a fresh transfer value calculation.

The next step should be to set out the benefits available if the transfer value is invested in a personal pension.

A consultant can calculate the amount of the accumulated *fund at the time of retirement*, using two growth rate assumptions. A life company making such calculations for an IFA would have to use the growth rates set out by Lautro. However, an actuary authorised by the Institute of Actuaries can use his or her professional judgment as to the appropriate growth rate assumptions.

The consultant then calculates the pension which the accumulated fund will buy on several *different* assumptions – with and without a spouse's pension, and with and without a 5 per cent annual increase.

He can then calculate the investment return which the life company must achieve, after allowing for its expenses, to match the benefits provided *by the company scheme.*

So which is best for the employee? This depends on a number of factors – financial and non-financial.

Financial factors

■ The employee has to decide whether the recommended life company can achieve a higher return over the time to retirement than is required to provide the scheme benefits. An adviser can give an opinion as to whether he considers the *life company can achieve this* return, using past performance as an indication (but nothing more), but he cannot give a guarantee of a future return – nor can the life company.

With bonus rates expected to be reduced next year, investors are getting a foretaste of the volatility of life company investment performance.

■ The company scheme provides *spouse's benefits which* an employee has to buy with a personal pension. As such, a personal pension is more favourable to a single person *than to a married person.*

■ The employee should consider not only the benefits at normal retirement, but those available on early retirement. The company may well be generous towards early retirement and not impose the full actuarial penalty, whereas with a personal pension the full penalty is imposed automatically.

■ Company pension schemes are becoming more generous in making pension increases to offset inflation – increases that the actuary to the scheme may not have taken fully into account in calculating the transfer value. With a personal pension, any pension increases have to be paid for. In addition, the company is effectively guaranteeing annuity rates, *something the life company* will not do.

■ On the other hand, the company scheme has to achieve a similar investment return to *provide the benefits and this* in turn implies that the scheme is adequately funded. Not only is there the risk of fraud, but many schemes are now being wound up without sufficient assets to pay all the full benefits. The deferred pensioner is at the back of the queue if there is a shortfall.

Non-Financial factors

■ The employee's temperament is possibly the single most important factor. There are several aspects to this: the employee can have a measure of control of his pension assets in a unit-linked personal pension – he or she can switch from, say, shares to cash if wished. In a company scheme, the employee has little or no control in its operation.

■ The circumstances under which the employee left may be such that he wants nothing to do with anything managed by his old employer.

■ The employee's attitude towards investment risks. If the employee is risk-averse, or if the deferred pension represents a significant part of his ultimate pension, he should consider the situation carefully before taking those benefits out of the company scheme.

Directors' Transactions

DIRECTORS appear undecided about which way to deal, with purchases and sales very evenly balanced. Viscount Rothermere, chairman of the Daily Mail and General Trust, *sold 10,000 of the A non-voting* shares, realising a little over £650,000 before expenses. At the same time, he sold a further 12,000 in which he did not have a better financial interest. After these sales, Viscount Rothermere's vehicle still controls more than half the company's shares.

The media sector features quite highly this week. Christopher Bland, chairman of LWT Holdings, has sold 84,000 of the convertible cumulative preference, leaving himself with 186,000 preference shares. Unlike its London weekday rivals, LWT retained its franchise in last year's bidding contest.

Weir Group has been one of the great success stories in the UK engineering sector, riding out the recession in impressive style. William McLean has sold 38,000 shares at 553p, at which level the shares have doubled since the beginning of 1991. Relative to the market over the last 12 months, they have outperformed by almost 30 per cent.

Angus MacDonald,
Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Allied Textiles	Text	4,000	10	1
BPP	BuSe	25,000	63	1
BTR	Othl	75,000	364	1*
Candover	InTr	15,000	34	2
Cresta Care	Hlth	70,000	17	1
Daily Mail A	Med	10,000	652	1
Enterprise	O&G	9,500	41	1
Halstead	Chem	3,000	14	1
LWT Holdings (CCP)	Med	84,000	214	1
Scottish TV	Med	200,000	854	1
Weir Group	EngG	38,000	210	1
PURCHASES				
ASDA	FdRe	80,000	29	2
BM Group	EngG	70,000	42	3
Broadgate	InTr	16,200	15	2
Cussins	C&C	208,000	53	1
EL Oro	n/a	7,500	28	1
Forte	Hotl	35,000	52	1
Goodhead Group	Med	50,000	16	1
Greenwich Res	Mine	820,800	37	4
Johnston Group	BdMa	20,000	24	1
Morrison (Wm)	FdRe	35,000	47	1
P & O	Tran	10,000	39	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 12-16 October 1992.

Source: Directus Ltd, Edinburgh

FINANCE AND THE FAMILY

Why credit is still costly

Scheherazade Daneshkhu on a rates anomaly

Current Credit Card Interest Rates

Card	APR	Annual fee	Monthly interest
Bank of Scot (Visa/M'card)*	26.0	£10	1.9%
Barclaycard (Visa/M'card)*	27.6	£10	1.79%
Co-Op (Visa)	32.15	none	2.35%
Halifax (Visa)*	27.3	£10	1.95%
Lloyds (Access)	25.3	£12	1.8%
Midland (Access/Visa)	26.8	£12	1.9%
Nat West (Access/Visa)*	26.8	£12	1.9%
Nat & Provincial (Visa)	24.0	none	1.81%
Royal Bank of Scot (Access/Visa)*	26.6	£10	1.9%
TSB Trustcard (Visa)	27.5	none	2.05%
Yorkshire Bank (Visa)	26.0	none	1.95%

**rates prevailing as of today. These institutions have announced plans to reduce rates.*

BANK BASE rates have changed 12 times since the beginning of last year, falling from 14 per cent to 8 per cent. Yet most credit card issuers have only cut their interest rates two or three times over that period.

Barclays, for example, the largest issuer of credit cards, with 8.7m cards in circulation, has announced it will be cutting its rate on November 1 in response to the recent base rate cuts. But this will be the first time its rates have changed for two and a half years.

Barclaycard's new rate will be down to 24.9 per cent APR, which is just over 5 percentage points less than the 29.8 per cent APR prevailing from July 1989 to June 1990. Since the latter date, base rates have fallen by 7 percentage points.

The average credit card annual percentage rate, according to the Credit Card Research Group, is 25.7 per cent APR, once planned cuts over the next few weeks are taken into account. This compares with an average of 29.7 per cent APR in October 1990 – the month when base rates fell from 15 to 14 per cent.

National & Provincial, which last altered the interest rate on its Visa card in February to 24 per cent APR, says that it does not have plans at the moment to make another cut. "We're watching things closely but we're finding that other issuers are coming down to our levels," said a spokesman for the building society.

Many consumers are baffled by the slow speed at which banks and building societies react to base rate changes and one reader wrote to the *Weekend FT* wondering whether credit card issuers are "profiteering" from such high rates on interest.

The institutions argue that they are struggling to make a profit on a service which they believe is competitive and worth the cost. Some institutions made a loss in 1990 but, with the introduction of annual fees, most have moved back into profit.

Barclays does not break down its figures for its credit card operation but in 1990, the personal loans and mortgages department, which includes Barclaycard, made a loss of £4.3m. Last year the department made a profit of £45.7m.

"The cost of buying funds on the money markets only represents half our costs," said Christine Tucker, of Barclaycard. "The other costs are fraud, bad debt and operational costs for providing our services worldwide."

Credit card and charge card fraud is estimated to have amounted to £100m last year and the Association for Payment Clearing Services has said it will be spending £500m over the next three years to fight fraud.

Institutions argue that credit card rates cannot react in the same way to base rate changes as mortgage rates do. "When there is a base rate cut, it tends to be a 0.5 or 1 percentage point cut but when a credit card rate is lowered, it does so by more than that," said Elizabeth Phillips, director of Credit Card Research Group. "When a cut is made, all the literature has to be changed and that can cost as much as £250,000 for a major issuer."

Banks and building societies say they prefer to watch interest rate trends and adjust their own rates accordingly. The Royal Bank of Scotland, which last cut its credit card interest rate in January, was ambivalent, earlier in the week, about whether a further cut would follow. "As interest rates fall, we are watching and waiting until everything settles," said a spokesman for the bank. It has since confirmed that it will be cutting the interest rate on its credit cards.

While the institutions argue that the cost of borrowing on credit cards is good value, the Consumers' Association says the rates are still high. "We thought their rates were too high when we published a report on credit cards a year ago. A year on, base rates are still falling but credit card rates are still too slow to come down," said Graeme Jacobs, a spokesman.

Meanwhile, consumers should be aware that issuers have introduced ways of cutting costs at their expense.

Previously, if you had not cleared your bill by the date stated, interest would be charged from the date the statement was issued. Nowadays, almost all the large issuers charge interest from the transaction date, which is when the purchase is charged to the issuer, usually a few days after it is made.

Consumers have also found it difficult to compare the real cost of borrowing between issuers because the method of calculating the APR has varied since the introduction of fees. Happily, this is set to change following an agreement between leading card suppliers on a standard method of calculation. Some issuers, including Co-Op, National & Provincial, TSB and Yorkshire bank, are still fee-free.

Negative equity loan plan

HOMEOWNERS with houses worth less than their mortgage may not find it easier to obtain more money from their building society in spite of pending legislation on unsecured lending announced this week by the government, writes Scheherazade Daneshkhu.

The Treasury's move will lift the ceiling on building societies for unsecured loans from £10,000 to £25,000. The government is also easing the conditions under which mortgage customers can obtain income tax relief if they move home. Mortgage interest relief will continue to be claimable when a home owner moves to another property but retains the original mortgage.

However, the Consumers' Association doubts whether borrowers will find it easy to obtain a larger loan from their lender when legislation is passed. "We are far from convinced that lenders will be willing to provide funds on an unsecured basis because they will be concerned about the risk," said a spokesman.

Abbey National, which became a bank three years ago and has therefore been free to lend on an unsecured basis, has not exceeded the £10,000 building society limit.

The Halifax building society was cautious about the type of customer to whom it would be prepared to give an unsecured loan. A spokeswoman said it depended on the individual's circumstances and their ability to repay the loan. She suggested those wanting to move because their job involved relocation may find it preferable to press their employer for assistance.

Even if lenders are prepared to extend an unsecured loan to customers with negative equity, the danger for customers is that they will become caught in a vicious circle of debt. Interest rates on unsecured loans, at an APR of around 21 per cent, are much higher than current mortgage interest rates.

Diana's happy ending

Not all offshore trust stories are sad, says **Paul Ham**

OFFSHORE trusts have lost some of their allure since the 1991 Finance Bill imposed taxes on capital profits made from offshore trusts set up after April 5 1991.

But they still have many uses for non-UK domiciled foreigners resident in the UK. Trusts set up by non-UK domiciled individuals are still fully exempt from UK taxes (although the law on domicile is likely to change next spring.)

Consider the case of David and Diana Trottwell. David Trottwell, a South African businessman, married Diana in the early 1970s and the couple settled in Britain, but David retained some business interests in South Africa.

The Trottwells did well in the UK during the 1980s, and their assets grew on the back of rising share prices and a booming property market. They had two children – Charles and Lucy – a dog called Shepherd, and a house in Henley, Oxfordshire.

By the late 1980s the wind of fortune began to change for the Trottwells in the UK. David Trottwell lost most of the money he had made during the 1980s on bad investments. He tried to forget his troubles in various indulgences – younger women, a sports car and certain optional extras. But his hobbies took their toll on Diana and their marriage started to turn sour.

Their son, meanwhile, dropped out of university to join a religious cult, which placed special emphasis on private donations from wealthy, disaffected youths. The daughter still had another three years of expensive boarding school to complete.

About this time, David Trottwell was offered a good price for his South African business interests which he sold for a substantial gain. He did not take UK tax advice but went to Bermuda and settled the funds in a trust which he used from time to time to maintain his lifestyle and Lucy's education.

In 1990 David Trottwell died suddenly from a heart attack. Diana was left with little means of visible support and substantial debts.

She was advised to sell the Henley pile and move back to Brighton, the city of her upbringing, where she found herself operating a bed and breakfast to make ends meet. She often considered tracking down her husband's offshore assets, but was dissuaded by fear of a huge tax bill, a tax penalty, or worse.

Her son's religious cult had long ceased pestering the Trottwells household for donations but her daughter's school fees were cutting a swathe through her meagre income.

If the measure of desperation is relative to our expectations, Diana Trottwell had now grown desperate. She resolved to unearth her late husband's offshore pot of gold . . . whatever the tax risk!

Diana expected, or hoped, that she was eligible for some form of income, although memories of her husband's girlfriends lent little sustenance to this fantasy.

She made a few inquiries of her late husband's wealthy business colleagues who put her in touch with a solicitor who was a specialist in offshore trust matters. She felt more confident going to a solicitor than an accountant because she felt she would get more sympathy.

Much to her amazement she was told that apart from what her husband had brought into the country, "there was absolutely no tax payable." Her husband had died non-UK domiciled.

Flushed with hope she contacted her late husband's trustees through her solicitor. There was a bit of a problem proving to them that she was who she said she was, but thereafter she found them most co-operative and helpful.

She discovered that her husband's trust, which was a discretionary trust for herself and her family, held £10m. In her lawyer's own words "It is quite remarkable to see the sense of relief on the faces of those who, having lived for years in penury, discover their family assets."

But it was not all milk and honey. Diana was told that in addition to the trust deed, her late husband had also left a detailed letter of wishes. This specifically instructed the trustees to provide for her out of income, provided that the Trottwells had not divorced and she had not remarried, but specifically excluded her from any capital distribution.

Diana however wanted to move back to her friends in Henley, and into a house of her own.

After some persuasion and a legal opinion from her solicitor, the trustees agreed to provide Diana with a regular income (on which she would pay tax) and invest in a house for her in Henley, Oxfordshire, in which she could live but not own.

Her solicitor advised how best to structure the purchase to avoid various tax traps and pitfalls. Diana happily trotted off to Henley to find a house for the trustees to buy.

The trustees were also persuaded to set aside a fund for Lucy to provide for her education and future requirements.

But when it came to Charles, they were quite adamant. It had been her late husband's wish that while he remained a member of this odd religious cult he was not to receive a penny, neither income, benefits or capital.

Diana was deeply disappointed because she saw this as a final wedge which would drive her son away, but the trustees could not be persuaded otherwise. Her solicitor said it was a waste of time even to try.

Diana lives happily enough in Henley in a house owned by the trust, with a regular income. In a funny way, she says she missed the bed and breakfast in Brighton. But with £10m in a Swiss bank she says, on second thoughts, that she could never dream of having paying guests in her house again.

■ *Paul Ham is consulting editor to Offshore Financial Review, the* Financial Times *publication for the offshore financial services sector. The background for this case was provided by Caroline Garnham and David Way, trust and tax solicitors at City firm of solicitors, Simmons & Simmons. Clients' names have been changed.*

Beware of mutations

***Harry Hopkins** with a botanist's view of the stock market*

IN 1735, the 28-year-old Swedish naturalist, Karl Linnaeus, published *Systema Naturae*, making sense of the chaotic profusion of the botanical world by surveying each flower for a crucial factor, then using this to work out an order of genera, species and sub-species.

It has often seemed that the stock market could usefully take a leaf from this young man's book. It could prove a revealing exercise.

For example, the Linnaean approach, when applied to the animal world, reveals that the brilliant blue jay and the funereal raven emerge alike as *Corvidae* – of the crow family.

Apply it to the stock market and the superficial categories of the market reports, such as "industrials" and "engineerings" and "blue chips" are left. By applying the crucial common factor approach, shares as varied as oil explorers, package tour operators, toy makers and part of the rag trade might be classified together as *Volatilae*, possibly sub-species *Extremes*.

The outstanding common factor is that these managements must stake large sums of money, often many months ahead, on an unpredictable outcome – whether the drill bit will encounter oil in commercial quantities, whether the public elect to book the right foreign holidays at the right time (the packagers having long ago paid for accommodation and transport) or whether this season's colour really proves to be blue.

The share price charts will confirm the classification. In 1989-90 much-tipped Tuskar Resources gushed up to 89p on Columbian oil strikes, only to droop to 1p and, finally, suspension this year, as the money ran out faster than oil revenues came in. Air Tours, climbing more than 500 per cent in 1991, fell precipitately this summer as it emerged that tour operators had over-estimated public demand.

Again, a financial Linnaeus, casting a penetrating eye over the conventionally classified columns, might bring together motor manufacturers, hotels, and airlines under the shared factor of high and inflexible fixed costs.

Just as car makers cannot dispense with expensive, sophisticated assembly lines when sales dwindle, so the hotelier cannot turn off the heating or cut his staff drastically when guests stay away. In times of recession, one might be tempted to name this species *Ponderosos* – except that when recovery comes, and occupancy rates or throughput rises, the gains can be disproportionately high.

As for the *Acquisitives*, these would probably require an entire genus today , broken down into species and sub-species, ranging from mere rescuers to predators, red in tooth and claw. For the latter the crucial factor might be frequency of cash calls on shareholders, compared with rise in earnings per share. Thus, in its four years as a public company, Resort Hotels has called on its shareholders four times in four years, but its managing director now assures them that it has reached critical mass and is in an earnings phase.

Certain species, for which there would be no lack of candidates, would be *Fructus Conditi Crastinus Dies*, or Jam tomorrow. Other sub-species might indicate acquisitions being made too often (Bimec? Ratners?) or Not Often Enough. Nigel Rudd, the chairman of Williams Holdings, once pointed out that the will which sets master acquirers on their empire-building course, is not, in the nature of things, something that lasts for ever.

Emerging from this taxing area, the new Linnaean classifier would surely find comfort in a rare but well-defined species which he might christen *Dormitors*, or sleepers, to borrow a trade term for books that go on selling steadily year in year out, letting their authors prosper.

Those which might be included are Great Universal Stores, the gorgeous gussies of the 1950s, earnings still rising unbrokenly into the recessionary 1990s, Glaxo, which saw its share earnings rise nearly 1,400 per cent through the 1980s, and Marks and Spencer, which has seen its profits rise without break for 40 years.

It is this species which has made its patient shareholders rich, and us eager pursuers of *Volatilae* look like idiots. Clearly an increasingly important species to mark out these days would be *Globals* with more than half their earnings derived from overseas, not only insuring against domestic recession, but profiting by expanding horizons.

Again this is a species that increasingly transcends the conventional categories, embracing not only Unilever, with 85 per cent of its earnings coming from overseas, and the oil majors, but also the APVs and the Rentokils. The last named has 55 per cent of its earnings now derived from overseas, including France, Germany, Switzerland, Italy, North America and Asia. All of these countries are apparently in thrall to the company's new infra-red Mouse Alert.

As the successors of Karl Linnaeus discovered, species can mutate. This is a game at which any investor can play. Why not, for instance – since psychology is as important as the facts – a sub-species for stocks temporarily placed in the Doghouse (Trafalgar House et alia)? Or a species for High Cost of Entry (a mighty preserver of niches)? Or for recession proofs, now being the time to test them? Or perhaps, in cautionary mode, a *Fulgens Maximus* species for miracle working financial stars who simply must be followed.

Do it yourself classification by special factors can be an education.

Inky veterans who met a French challenge

***Keith Wheatley** meets two 75-year-olds who came out of retirement to launch a newspaper*

EDWARD and Laura Rapp are unusual people. Original thinkers. When they wanted to compile a list of Britons and Americans resident in France they bought the *departement* phone books and methodically scanned the columns for Anglo-Saxon names. "It was actually a fascinating job and you got so that you could spot a Digby-Jones at 50 paces," said Laura.

The Rapps needed the list to mail out promotional copies of their English-language newspaper *The Recorder*. It speaks volumes for the quality of the product that an initial mail-shot of only 1,500 names has produced over 500 subscribers paying FFr100 a year for the monthly publication.

Most of the remaining 8,000 circulation goes out via NMPP, the Paris-based state newspaper distribution agency. Under French law any legally registered title has a right to distribution. Ideally the Rapps would like to point NMPP at areas where "Anglo" communities are densest: Provence, Normandy and the Dordogne. However, French bureaucracy is not to be directed.

"The paperwork you get from NMPP is wild. They have an accounting system that is just a mystery to us. You don't get data on July's circulation until October and you can't even begin to guess at what size cheque you'll get," said Edward.

These are not the grumbles of tyro publishers, baffled by the newspaper game. The Rapps – both 75 – retired to the town of Duras, 60km east of Bordeaux three years ago. They had twice started and sold successful small-town newspapers in their native Connecticut.

Ed and Laura are the kind of quirky, charming resourceful Americans depicted by James Thurber. And, like Thurber himself, they know a dollar when they see one. The *Kent Good Times Dispatch* started its career as a Boy Scout paper until turned around by Ed using the lifetime's knowledge he had acquired working for *Reader's Digest* selling advertising in central America.

"We sold it for a good price and signed an agreement not to compete for two years. Neither Laura or I intended to work again but we got bored and 24 months to the day from the sale we brought out *The Kent Weathervane*," recalled Ed, as he worked on front-page layouts for the next issue of *The Recorder*. The owner of the *Good Times Dispatch* bought the second title and killed it off.

Boredom was the genesis of the *The Recorder*. The Rapps had planned to run their large house in the sleepy town of Duras as a hotel but plans to involve other members of the family unravelled. Hearing that the only other English language paper in southern France was in the hands of the court, following receivership, the Rapps put in a bid. But the bureaucracy was so wearing they decided, with pioneer-spirit, to build their own buggy.

"We'd put together out first issue by the time the court came to a decision. We were having fun, so we decided to keep going," said Laura. They sit at opposite ends of the "newsroom" facing over the *midi* calm of the Place de la Resistance in Duras.

Undoubtedly there is a market for *The Recorder*. The prefectures in 27 of France's 95 departments sent the Rapps figures on the number of registered English, Dutch and Americans. These show 29,200 British, 8,000 Dutch and 17,600 Americans in just those areas and do not include unregistered part-time residents and and second home owners. The numbers are rising.

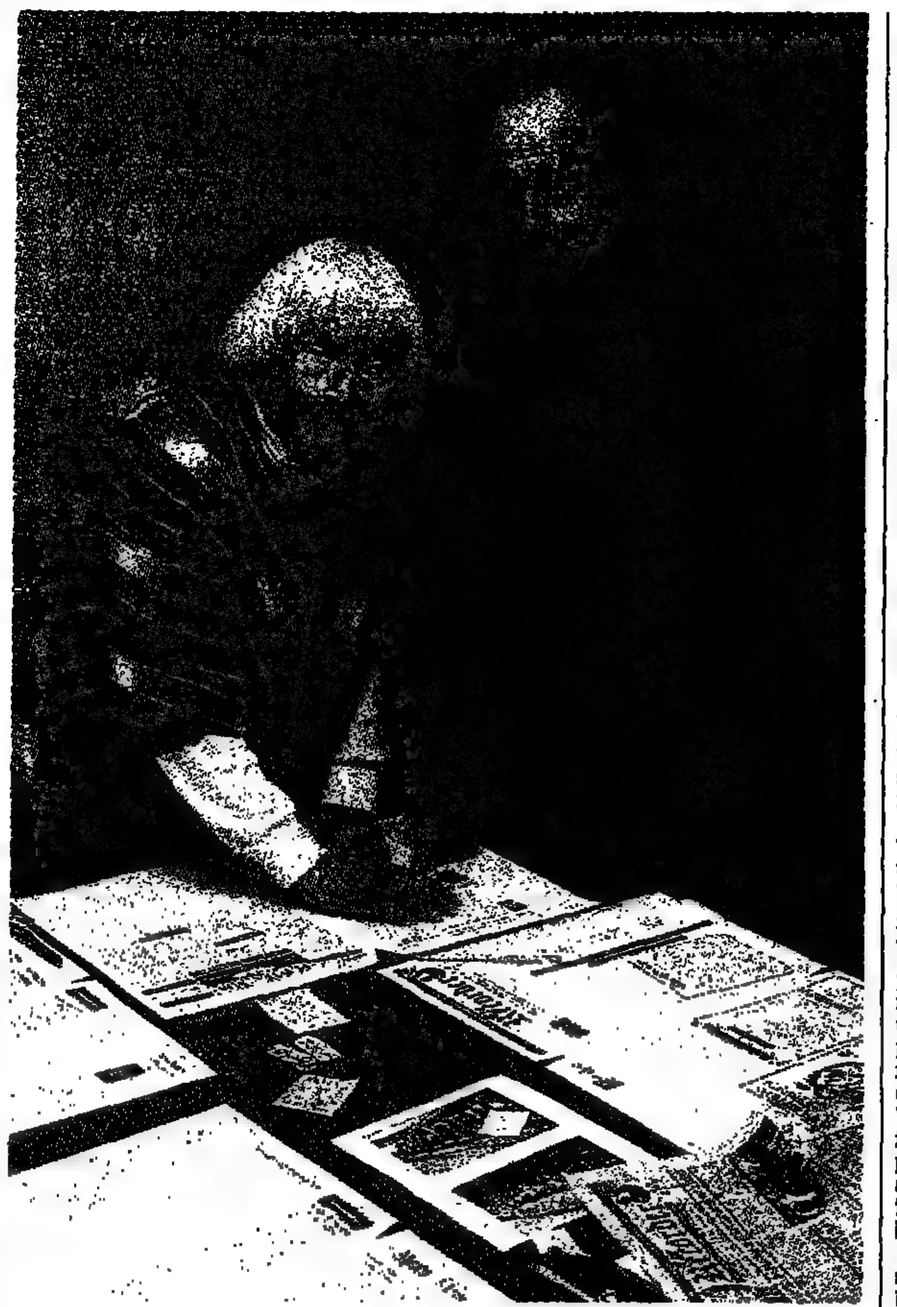
"It's a big population to address but it's not joined together," said Ed. "In Connecticut we could do our entire distribution from the back of a van in one afternoon. Here it's rather different.

"I went into a newsagents in Perigord the other day and found our paper stuffed up on the top shelf with the porno magazines. Another man said he found the layout so old-fashioned that he'd assumed it was a religious tract."

The appearance of *The Recorder* owes rather more to the staid visual traditions of the *New York Times* than the racy British tabloids or the colourful French regional newspapers. However, the content is entertaining and often stylishly written. A high proportion of correspondents are professional journalists.

"We spend a lot of money, relatively speaking, on the editorial content but the people that write for us are good. Paying our correspondents is one of our big costs but we think it's essential," said Ed as the fax machine disgorged a commentary on Maastricht from the Brussels stringer.

"We ran a readership survey in July and we have a good fix on what people want to read and on the demographics of our audience. People clearly like letters and informative articles about life in France, the problems and the pleasures. they like humour and personal experiences. Most of the audience is over 40, half is over 60."



An English paper in France: Edward and Laura Rapp publishers of *The Recorder*

Advertising is the problem. The *Recorder* has some, but not enough. Neither of the Rapps speaks sufficient French to sell space in the domestic market. They are pondering whether to acquire an agent in London, a local rep in Bordeaux, or both.

"Of course, the recession is bound to hit new titles even worse than it hurts established ones," said Ed. "Who wants to take a chance on something they've never heard of when they're cutting budgets."

The Rapps are cautiously looking for an investor/partner who will buy into what the Rapps have established and contribute missing skills and – dare one say it – energy. The Rapps admit to a loss of about FFr100,000 but point out that few new publications go into profit in their first year.

They go multi-regional rather than simply national and to produce the paper weekly. "Regional editions would give the anglophones news they simply can't get elsewhere and open up local advertising," said Laura. "The numbers of people in the audience justifies both moves if we can figure out the details of how to do it." They're optimistic but cautious about their future. "We're 75 and in great health but after 70 we figure you're on borrowed time," said Ed.

■ *The Recorder, Place de la Resistance, 47130 Duras, France. Tel 010-33-53-83-81-02 Fax 010-33-53-83-76-82*

A mere morsel in the hands of fate

***Nicholas Lander** on the river which changed Alan Porter's course*

ALAN Porter has always believed in Fate. Over the past three years this belief has been fully vindicated as two events outside his control – a river which burst its bank and flooded his depot and the 1990 Food Safety Act – transformed his business in size, style and profitability.

Porter began humbly. He studied hotel and catering management at Surrey University but found the course too theoretical and left. A year working in the food business with Justin de Blank in London gave him practical experience. After that he did a variety of jobs, for a while he ran the outside catering at Ripley Castle.

In 1972, he opened Porter's Provisions in Knaresborough with £2,000 borrowed from his father, which, in the course of the interview, he remembered he still had not repaid. He built up a chain of five shops including one at Farnley, which Jane Grigson, the cookery writer, once called "the finest food shop in England."

Above the shop, Porter developed a wholesaling operation supplying professional chefs. Interest in the lines Porter was importing grew rapidly in the early 1980 and so did demand for Porter's knowledge and provisions.

But a successful primary wholesaler purchasing directly from the producer must buy in large quantities to minimise transport charges. This means at least one pallet from each supplier. These range from £2,000 for a 500kg pallet of top quality olive oil to £10,000 for one tonne of the Valrhona chocolate which Porter imports for his patisserie customers and his latest project, The Chocolate Society. Once you are buying these quantities of perishable items you need a similarly large customer base to ensure a rapid turnover of stock.

In 1987 Porter decided to close all five shops and to move to a large depot in Boroughbridge. This increased his annual rent from £2,000 to £20,000. Grasping this expensive nettle forced him to learn many new skills. For the first time he had to delegate, and to work within the discipline of an organised structure. Turnover rose to £2.5m and the workforce grew to 24.

Porter also had to go out and find new markets. He opened a depot in Scotland and, after three years of negotiations, won a contract to supply to Forte group hotels, restaurants and manufacturing outlets (including all the own-label chocolates for the Wheeler's group) which added £1m to turnover in its first year.

Porter says he should have abandoned the retail side even earlier. He misses the contact with the public, but there was little room left for profit. Dealing with the bigger buyers who understand his products and appreciate his enthusiasm for the latest British goats' cheese makes commercial sense and satisfies his need to supply the best.

The discipline of the market had forced Porter to cut the number of lines he sells to 2,500. Fifty per cent of turnover is cheese. The rest falls into five categories: oils, vinegars, olives, mustards and chocolates and he aims to turn the stock over every two to three weeks. Porter no longer allows himself the luxury of any oddball items and has, at the fifth attempt, given up trying to sell pasta.

Then fate struck twice. The 1990 Food Safety Act changed Porter's plans. The effect of the Act on perishable food wholesalers convinced Porter there would not be a future for small, national distributors of perishable food.

He had three choices. To move out of perishable foods altogether, which is where his expertise lay; to borrow heavily and open a system of fully refrigerated depots around the country or to wholesale the products he imported to others with depots. The third solution seemed the only practical one but, as Porter realised, other wholesalers were unlikely to buy from him as long as he continued in the wholesale business able to undercut them as the primary importer.

This summer Porter merged his wholesaling business with that of Justin de Blank. This will create a national wholesaling and distribution company with a turnover of at least £3.5m and free Porter's Provisions to become what Porter would like it to be, a primary wholesaler sniffing out the best produce in Europe.

Porter has also learnt from a disaster in January 1991, when the River Ure broke its banks and flooded his depot. The timing, just after a record year's turnover, could not have been worse. The insurance policy based on turnover and loss of profits had not been revised upwards and the insurance company would cover only half the £150,000-worth of damage. Once the building was repaired, overheads had to be cut and the following year's accounts showed a much reduced gross profit but an even higher net profit. A photo of the flooded depot outside Porter's small office serves as a reminder that, occasionally, Fate has a sunny side.

■ *Porter's Specialist Food Merchants and The Chocolate Society, Bar Lane, Roecliffe, Boroughbridge, North Yorkshire Y05 9LS. Tel: 0423-322328, fax 0423-322335.*

Equal shares for tax man

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

MY WIFE and I own a second home as tenants in common but in the shares two thirds/one third. We are planning our inheritance tax. Would it be better to convert this to equal shares? Is it possible to do so by a simple declaration?

■ Estate equalisation can certainly reduce inheritance tax payable but the planning involved has changed over the last couple of years as the tax bands and rates have altered.

A husband and wife each has a nil rate band of £150,000. Once the nil rate band has been utilised, the rest of the estate is subject to tax at a flat rate of 40 per cent. In many cases, wills are drafted so that each spouse leaves all assets to the survivor. However, by doing this, they would not be taking advantage of the nil rate band available on their death as transfers between husband and wife are exempt in any event. Therefore, under the present tax rules, it would be beneficial to leave the equivalent of the nil rate band to persons other than the spouse, for example the children. The rest of the estate could then be passed to the spouse.

If a husband and wife have a total estate of £300,000 then by using both nil rate bands, all the tax can be avoided. However, if the value of the chargeable estate is higher than this, I would suggest that only the nil rate band is left to persons other than the spouse, otherwise tax can be payable on the first death.

For example, if a husband and wife have an estate of £500,000 and fully equalise the estate with all their assets passing to their children on their respective deaths, then they each leave assets of £250,000, of which £150,000 will be tax-free and the balance will be subject to tax at 40 per cent, giving rise to a £40,000 charge on the first death.

This reply was provided by Barry Stillerman of accountants Stoy Hayward.

Harmony in schedule E

MY WIFE is a self-employed part-time music teacher. She teaches 20 students and earns about £11,000 a year. In January she will start working at a private school, paid hourly at the same hourly rate, for an additional £11,000 or so yearly. Does this single and relatively substantial income source endanger her self-employed status for tax purposes?

■ Your wife's services at the school will (almost certainly on the bare facts) fall within schedule E and the PAYE system, including class 1 NIC. That does not affect her existing schedule D activities, nor her liability to class 2 and 4 NIC. There are limits to the overlap of NIC classes, so she should consult the local DSS office if need be. She could ask her tax office for the free pamphlet IR56 – Employed or self-employed?

Recovering excess tax

I AM AN Australian national who will be returning home after working and paying taxes in the UK for the past five years and I wish to know how to recover excess tax paid in this financial year. My wife is English and will be emigrating with me.

My wife and I will be leaving full time work having earned approximately £5,000 and £8,000 gross respectively. I have also made capital gains of £2,500 on the sale of shares and would make further gains of approximately £4,000 if shares I currently hold are sold at current prices (I do not wish to sell these shares for some years, however).

We have both been paying into a private pension scheme for some years and are able to take a "pension payments holiday" upon leaving the UK. As the total amount in these pension schemes is small, would it be advisable to opt back into the state scheme, thereby making us eligible for a state pension should we choose to return to the UK later, or, having taken private pensions, are we now honour-bound to claim our pension solely from this source?

■ A. Regarding PAYE on current year's earnings, you should approach your local Inspector of Taxes regarding repayments that may be due in respect of the current tax year. The capital gain is irrelevant because it is only realised gains (ie when you actually sell the shares) that enter into your tax computation.

B. As regards your personal pension policies, these should be paid up and retained as an investment with the insurer in question. When you eventually retire, whether in the UK or Australia, the relevant sums can be paid to you. Should you return to the UK at some future date then you can decide afresh what to do about future service, ie whether to remain in the state scheme or contract-out.

A house for my mother

MY WIDOWED mother wishes to move to a property worth about £30,000 more than her current home. I am not resident/ordinarily resident in the UK for income tax purposes, but would like to assist my mother by lending her the money. I am concerned about losing my tax status through having property available for my use in the UK. In the event of my mother's death I would be the sole beneficiary of her estate which would consist of the property only.

■ One solution would be for your mother's will to direct her executor to sell the house (and not allow you access to it in the meantime). If the executor in fact retained the keys, no reasonable tribunal of fact could hold that the house had been available for your use after your mother's death.

It is rather a pity that you did not say where you are resident: the potential consequences of dual residence may be mitigated by a double taxation agreement.

Who took my interest?

I RECENTLY paid a cheque to a fund management company for establishing my account with them. The cheque was cleared from my account on March 8, but did not appear in my cash account with the company until the following day, thereby losing me one day's interest. They have advised me that their bankers did not receive clearance for the cheque until the March 9.

Given that the large clearing banks use a common computerised system for clearing cheques, how can it be that funds taken out of from my bank account one day do not appear in the receiving parties bank account as the same day? Who is benefiting from the use of my money for the one day without paying interest on it?

■ This is a common occurrence: indeed longer intervals may occur. The benefit would appear to accrue to one or other of the clearing banks.

You may wish to pursue your query with the Banking Ombudsman.

A policy matter

I AM 63, waiting to cash in my s226 policies at 65 or later. I have some 12 separate policies, for varying sums, most of which can be taken at any age up to 75. I need to protect my future income, perhaps for as long as 30 years, against inflation and taxation.

Would it be better to take an inflation-protected annuity at 65 for the full value of the funds, or a level pension with part of the funds at 65, and then top it up at intervals to age 75 with the remainder of the funds. Are there rules for working out which might be better?

■ This is a matter of personal judgment and temperament. No one can predict the rate of inflation over the next 30 years nor your longevity. The prudent approach is to buy as much advance protection as possible against future inflation by taking the proceeds of your various policies and purchasing an index linked annuity at the time you retire. You may find it advantageous to seek independent professional advice to sort out the many variables in this competitive market (eg five year guarantee, basis of surviving spouse annuity etc). You should be careful to agree terms of business with your adviser and be sure of his independence.

The normal commission rate is 1 per cent, but whatever commission you pay should be disclosed in advance. If you wish the adviser to use a non-commission-paying insurer then you should give him the alternative of charging a fee if such an arrangement (net of such fee) is to your advantage.

As They Say In Europe/**James Morgan**

Britain's leaders keep up the interest rate

LAST April, foreign correspondents in London were grieving over the result of the general election.

This was not because of any special love for the Labour party or leftish prejudice. It was, rather, the natural reaction of those who had been living well to the prospect of reduced rations. The future held just another Tory government under boring but competent John Major. It would be a dreary sequel to the horrors of the poll tax, the decline and fall of Margaret Thatcher, and the baroque complexities of the BCCI and Robert Maxwell swindles and other manifestations of the 1980s boom.

I remonstrated with members of the Foreign Press Association. "Do not despair. Something will turn up." And today those same correspondents admit they were wrong. Britain has resumed its place as the one Community country whose domestic political affairs can be relied on to produce regular front page news for its neighbours. "We should have trusted the British," say the newsmen as they contemplate the results of the government's new policy of *reculer pour mieux reculer*.

In *Le Monde*, Laurent Zecchini began a breathless week thus: "Will the British government give way or will it choose a trial of strength? The question that is posed, this day, Monday October 19, at the beginning of a week that is without doubt the most critical in the career of John Major." But much of the rest of the article seemed tainted with British understatement: "The coalmine crisis is only one of the aspects of Mr Major's numerous difficulties."

By the next day the situation seemed to have got worse. In *Börsen-Zeitung*, Reinhard Fröhlich had a front page editorial headed: "John Major in danger." It ended with the words: "Soon there will be no area of politics where John Major will not feel seriously threatened by his own party."

In *Les Echos*, Patrick de Jacquelot wrote: "The U-turn can only add to the impression that the government's credibility is at its lowest . . . Monetary policy seems uncertain, subject to the political imperatives of the moment. And the repeated pledge of chancellor Norman Lamont to put the fight against inflation as the top priority is hardly taken seriously." A prescient observation as it turned out.

So it is that contemporary Britain and its government enjoy only modest renown on the other side of the Channel. One might have expected worse. But the visit of *die Queen* to Germany served to underline the fact that Britain is not viewed with total derision. At times the general amiability of the provincial German press seems almost excessive. It was even fair-minded over the recent row involving the Bundesbank. So this week the *Schwäbische Zeitung* wrote:

"That Elizabeth the second makes east Germany the main point of her visit should emphasise that the majority of the British population gave an unconditional welcome to German unification and has no fear of an 'overmighty Germany' in a Europe that is growing together. The Queen thus often places herself publicly against Conservative politicians and media who try to stir up anxieties about German domination."

The *Rheinische Post* gave a clue as to what this anglophilia was all about: ". . . the monarch from Windsor deserves our gratitude and thanks because she and her government – like the American president – resisted the threats of the East German boss Honecker who demanded to be invited to Buckingham Palace. Britain conducted itself differently as a victorious power from France."

But in Dresden things changed. Newspapers in the west regretted the hostility but implied the Queen could have done more. The *Sachsischeñ Zeitung*, published in Dresden, went further, saying the church service was welcome: "But it is understandable that there was disappointment in Dresden because a stronger gesture had been expected from the Queen. The monarch took part but did nothing herself – no word to the Dresdners, no trip through the city centre, no stop at the Frauenkirche."

In the *Frankfurter Allgemeine*, Günter Nonnenmacher summed up why things had gone wrong: "The Germans, like all continentals, have a penchant for the symbolic; the British have a mind for tradition. That is a contrast which brings with it difficulties that can hardly be bridged."

■ *James Morgan is diplomatic correspondent of the BBC World Service.*

It's not business, Gorby, it's strictly personal

The judgment of Solomon is needed in the court case involving ex-Soviet president Gorbachev, says ***John Lloyd***

THE MATTER OF former Soviet President and Communist Party General Secretary Gorbachev vs the Constitutional Court of Russia is, of course, personal.

Mikhail Gorbachev did not refuse to appear before the court on a mere point of law: Boris Yeltsin did not ban his foreign travel because it was the appropriate legal sanction – nor did he relax the ban to allow him to attend Willi Brandt's funeral because he had been advised that the original decision was legally faulty.

It could not be other than personal. These two men have loomed over Soviet and post-Soviet politics like battling mastodons since 1987. Then Yeltsin, having been raised by Gorbachev to the politburo and the leadership of the Moscow party, was summarily dismissed after a humiliating process which, on Yeltsin's account, nearly killed him.

His comeback over three years, when he gained popular support as Gorbachev lost his, seared the Soviet president's soul: the humiliation he visited on Gorbachev before the Russian parliament, after the collapse of last year's coup attempt, was sweet revenge, but not the end of the story.

At stake has been not only leadership of the country, but the mantle history will bestow. There is still no question as to which of the two is the more popular abroad, especially in the US: Gorbachev's trip there in May of this year had most of the trappings of a presidential visit.

Unable to conceal his spleen, Yeltsin used a post-conference briefing, at a meeting of the heads of the Commonwealth of Independent States in Tashkent, to mock his predecessor's pretensions to "head a world government." Yeltsin also attacked his idiocy for "clinging to the ideas of socialism".

In this bitterness, one can detect the bafflement that foreigners should think more of a man who destroyed the Soviet Union than one who is struggling to rebuild Russia – a puzzlement which has a rational basis.

The matter which the Constitutional Court is trying is also, inevitably, political. This fledging institution has been given a responsibility before which any legislative assembly would shrink. It must decide on the charge, brought by former communists, that the Russian president's decrees banning the Russian and the Soviet communist parties were illegal. Further, it must adjudicate on the counter suit, brought by the Gorbachev, that the Communist Party was itself unconstitutional.

Andrei Makarov, lead advocate for the Yeltsin camp, began his case by claiming the party had visited a reign of terror on the Soviet people "unprecedented in history". Even when the court decreed that the evidence should be limited to the period after March 1990, when the party lost its formal monopoly of power, the arguments have continued on whether the party had succeeded in transforming itself into a legal party with power limited by democratic checks and balances.

The personal and the political energies unleashed by the process are inescapable: they would be present in any similar case in any country, no matter how time-honoured its civil and judicial institutions were. However, the root question is whether there exists in Russia a sufficiently well developed legal and constitutional base to cope with these energies, to sift from their passionate advocacies what is germane, and to arrive at a judgment which is seen to be just.

The signs of this are at best mixed: and the Gorbachev affair, as one of these signs, is itself confused. Gorbachev has been consistent in his refusal to appear – but he has not argued on a point of law. Instead, in his deposition to court on September 28, he justified himself on the grounds that "as it loses support for its policies, the other side (Yeltsin's) looks for scapegoats and seeks to put history itself in the dock" – an attempt which "may trigger the suppression of dissidence and bring about a climate of purges for political views and convictions".

There seems no doubt that Valery Zorkin, the young head of the Constitutional Court, has been within his rights to seek to compel Gorbachev to appear as a witness – although he did not himself impose the ban on travel, instead appealing to the Yeltsin, as president, to impose it. Yeltsin, in consultation with Andrei Kozyrev, the Foreign Minister, acceded to the request: the lifting of the ban on October 13 was said by Yeltsin to be for "humanitarian reasons."

Besides the deprivation of the right to travel, Yeltsin also, on October 8, ordered the seizure of the buildings housing the Gorbachev Institute on Leningradsky Prospect. Yeltsin's view is that it is not legally leased,that there are irregularities in the income of the Gorbachev Foundation and that Gorbachev does not need all that space anyway.

It gave Gorbachev a street platform from which to accuse the Russian president of authoritarian tendencies and of conducting an act of political revenge – charges which appeared as justified as those made against his own actions towards Yeltsin five years earlier.

In all of this, the court has failed to remain above the storm. Zorkin, allowed himself to be persuaded to give a press conference on Monday on the affair. That was unwise, because while he may be a fine lawyer, he is a bad politician. The press conference, held in the courtroom, was moderated by a rather bumptious TV reporter who condescended to Zorkin. Zorkin, especially when speaking to foreign correspondents, plaintively justified his actions by referring to the practice in other countries. He was led into being rude about Gorbachev, referring to him as a "citizen of the world" who should remember that it was as a Russian citizen that he would be called to account.

Gorbachev's problem, however, is that there is no substantial section of Russian opinion which wishes to make his case their own. The Yeltsin camp, which includes those who would still call themselves democrats, largely see him as a man trying to cling to the remnants of power and compromised by his party past.

Yet the efforts to tar him with the party's authoritarian brush have been unsuccessful – although Mikhail Poltoranin, the Information Minister, yesterday promised some juicy scandals from the politburo files. Yeltsin's side alleges that Gorbachev covered up the massacre of 14,000 Polish officers in Katyn forest in 1940 by not publishing the politburo documents on the affair – which he did not.

He did, however, admit Soviet guilt in the affair (it had always before been blamed on the Nazis, long after no-one else believed it). He claims that he gave the secret files to Yeltsin when he handed over power at the end of last year, legitimately going on to ask – why only now is he revealing them?

The case, moving to its final stages, has appeared to have proved nothing – except that it is hard, perhaps impossible, for any court to sustain the weight which is being put on it.

Society was promised a kind of Nuremberg process, in which men guilty of a nation's humiliation would be put in the dock. Yet those who have come forward – such as Nikolai Ryzhkov, the former premier under Gorbachev, or Arkady Volsky, a former Gorbachev adviser, or even Yegor Ligachev, the former politburo number two – were in their different ways trying to reform the party, to give it a legal foundation.

The prosecution is in the name of Yeltsin, a former politburo member, whose career was made under the authoritarian rule of Leonid Brezhnev, accusing his former fellows of crimes allegedly committed when the party was attempting to become less totalitarian.

The process cannot rid itself of the sense that it is a dispute among former comrades: it has about it the smell of show trials, if nothing like the ferocity or the sinister potential. It will take a judgment of Solomon to raise it above that, and make it a foundation stone of a law-based state.

When radar went bump in the night

Wilfred Harper recalls a key move by Britain's wartime scientists

EXACTLY 50 years ago some of Britain's top scientists took over Malvern College in Worcestershire. The move was undertaken with great haste, in deep secrecy and amid farcical chaos. The scientists were ordered to move by Winston Churchill's because they and their existing laboratories were at risk of attack.

A little while before a British parachute commando force had raided a German radar station on a cliff-top north of Le Havre in occupied France. They overpowered it, ripped out the vital components of the Wurzburg radar, carried them down to the beach, loaded them on to boats and whisked them away in the darkness. Back in England the trophies were examined by scientists.

The success of the raid both pleased and alarmed the Telecommunications Research Establishment. Its radar laboratories were near the cliff-top at St Albans Head, in Dorset, overlooking the English Channel. A similar raid by the Germans could have been disastrous. It seemed prudent to move out before the Germans came in.

The chosen home for TRE was far inland, technically suitable and very attractive. Under protest, the staff and pupils of Malvern College were evacuated to Harrow School.

During the move there were moments of farce. Lorries full of highly secret equipment left under the protection of Dorset Home Guard. However, the local commander refused to allow his mens' firearms over the county border. The lorries continued unguarded and unguided lost their way on the un-signposted roads and ended up in a farmyard.

After the upheaval the scientists settled down among the Victorian Gothic tracery in the shadow of the Malvern Hills. There they developed the "instruments of darkness" without which the Allies might not have won the war.

Radar's military history had been short but spectacular.

It began in Britain with a report to the Air Defence Committee of February 1935 entitled *Detection of Aircraft by Radio Methods* by Robert Watson-Watt, the Superintendent of the Radio Department at the National Physical Laboratory.

The Committee requested a demonstration. Watson-Watt's assistant quickly wired together some equipment, loaded it into a caravan and towed it to a place near the BBC's short wave radio transmitter at Daventry. An old bomber was flown about and its radio reflections were picked up and displayed. The committee was convinced.

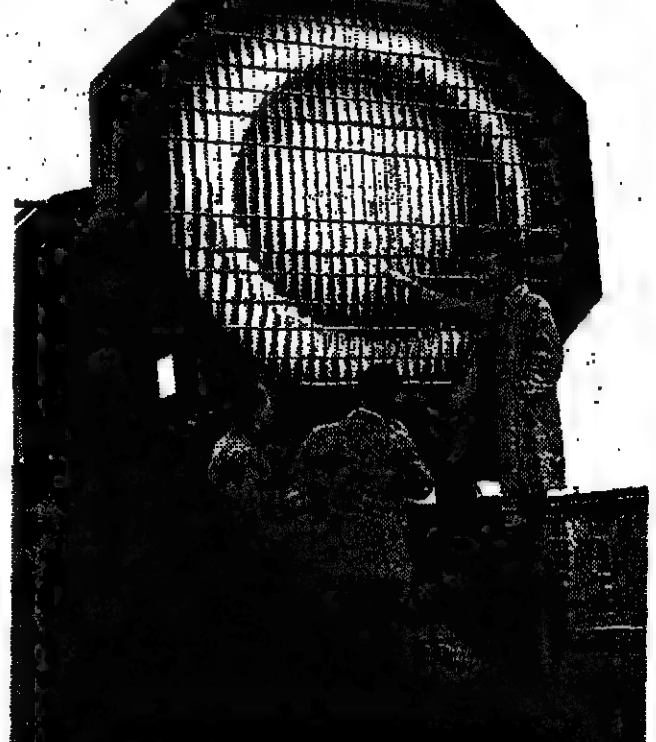
Immediately, and secretly, money was made available and some of Britain's brightest scientists were recruited. Unknown to each other several countries were working on radio detection, notably Germany, France, the US and Japan. The British dubbed the system Radar, an acronym for Radio Detection and Ranging.

So rapid was its translation into operational hardware that Neville Chamberlain's aeroplane to Munich in September 1938 was tracked down the Thames Estuary by five radar stations. By Easter 1939 a chain of 20 stations looped around the British coast from the Firth of Tay to the Isle of Wight. Without its early warning the British would have lost the Battle of Britain and probably the war.

With the Luftwaffe repelled, TRE concentrated on radar for offensive purposes. This is the work which came to fruition at Malvern. It was largely based on a crucial invention of 1940, the cavity magnetron. This enabled the reduction of pulse wavelengths from metres to centimetres, which in turn enabled considerable extension and enhancement of radar's abilities. (The same device generates microwaves in ovens).

The magnetron was used in advanced airborne radar. By 1942 the big bombers, the Halifaxes, Sterlings and Lancasters, were in service and with them came the 1,000-bomber night raids. These required an on-board electronic navigation system for target finding to replace the system based on signals transmitted from Britain, which were of limited range and could be jammed.

Bernard Lovell, a young university physicist, was in charge of its development. His team developed a ground scanning system which displayed features such as cities and



School for scanners: a radar lens on show at Malvern in 1949

coast lines. Hamburg, a city on an estuary, was its first target in January 1943. Nearly 40 years later a derivative, aboard a Vulcan, was used for a raid against Port Stanley airfield in the Falklands.

Another airborne system enabled night fighters to close in on enemy aircraft after initial guidance by ground radar.

By the spring of 1943 German submarines were sinking almost 1m tons of Allied shipping a month and threatening Britain's supply lines. A newly-developed airborne radar enabled Coastal Command aircraft to find and attack the U-boats, often at night when they were on the surface recharging batteries. Soon U-Boats were being destroyed faster than the Germans could replace them. Shipping losses fell by 90 per cent.

Sir Bernard Lovell is now in his late 70s. Recently he attended the dedication of a memorial window at Goodrich Castle near Malvern, close to the place where a Halifax bomber crashed 50 years ago. It was testing one of his prototype radars. All the scientists aboard and the aircrew died.

It is impossible to describe all the systems and counter measures developed during the first radar war. Radar warfare has come a long way, as we saw during the Gulf conflict.

Where there's brass, there's Brian

BRIAN Huntley-Egan has spent a lot of time on his knees in churches over nearly 60 years.

For the past 30 he has spent most of his weekends – and a high proportion of his holidays – restoring brasses in churches all over the country.

Now that he has retired from his job as a British Telecom engineer he is finally able to spend most of his time doing what he enjoys most – adding to the list of 500 brasses in some 300 churches that he has worked on over the years.

"In the past I really did it for love – just charging for petrol and to cover my costs," he said. "But now I am retired I am happy to accept what parishes can afford. It is usually a day rate plus expenses, but even then it would hardly support my wife and myself if we had to rely entirely upon it."

There is only one other restorer of church brasses approved by the Council for the Care of Churches, and he also, does it largely for love. Now he has more time Brian Huntley-Egan would like to view all the 4,000 or so brasses in the 8,000 or so medieval churches in this country.

In this day and age it is hard to appreciate how valuable brass was in the 15th and 16th centuries. Indeed, metal of any sort was rare. To have a memorial brass – and many were often commissioned during the life time of the person to be commemorated – was a sign of great wealth.

An indication of just how valuable brasses were in medieval times comes from those fascinating curiosities known as palimpsest brasses. These have been a source of great interest to church brass enthusiasts over the centuries. They are reused brasses, which have been re-engraved on the reverse side, often centuries later.

Another indication of how valuable brass was is seen in the occasional skilfully soldered repairs probably dating from the time when they were made.

"In those days production processes were hit and miss. Imperfect castings were too valuable to throw out, so they mended them at the time," Huntley-Egan said.

It is to counter the possibility of theft that Huntley-Egan is called in by parochial church councils. A loose brass is far more of a temptation to thieves than one that is firmly fixed, and one of his services to old churches over the years has been in devising a method of fixing using modern resin glues.

Although brasses are, if anything, more valuable today than when they were made, it is very hard for thieves to find a market for them in this country, as they are all thoroughly catalogued and known by experts in the field.

However, that does not stop a handful of thefts every year. Inevitably some find their way overseas and never return.

"When this happens the sad thing is that church councils often do not realise that they have gone for days or even weeks because thieves usually go for brasses that lie beneath carpets," Huntley-Egan said.

"The wisest thing really is to have them refixed as soon as they begin to loosen under foot when the rivets begin to wobble."

Another way avoiding theft is by repositioning brasses on church walls, where they do not get damaged by passing feet and are much harder to steal. However, Huntley-Egan thinks brass rubbers generally are opposed to this as they like to see brasses remaining in their original positions – marking the site of the burial of a person of note.

The way to avoid unnecessary damage from footwear is to do what most churches and cathedrals do – rope the brasses off.

Proper rubbing does not damage brasses and can positively improve them. Huntley-Egan said. Although there are many brass rubbing centres, where facsimile brasses can be rubbed, there is nothing like working on the real thing.

The best way to go about it is to become a member of the Monumental Brasses Society. This organisation will supply a list of brass-rubbing centres in the country where facsimiles cast in resin and brass powder can be rubbed. It aims to preserve and conserve these remarkable memorials, of which there are only about 200 – a 20th of the number we have in Britain – in the whole of continental Europe and Scandinavia.

■ Information: The Monumental Brasses Society, Lowe Hill House, Stratford St Mary, Suffolk CO7 6JX.

■ Bryan Huntley-Egan, 110 Clarence Road, Stony Stratford, Milton Keynes MK11 1JG.

Clive Fewins

GARDENING

Amateur advice at the experts' expense

***Robin Lane Fox** has been taking his pot plants indoors in order to outwit the wise old owls in his garden*

IN BROAD DAYLIGHT, the owls have been hooting in my garden. By daytime, an owl-hoot means death, death for Shakespearian heroes, deadly omens for classical generals and something nasty for columnists who have been much too slow to plant their tulips.

I have been checking for fire blight and have feared honey fungus: I now know why they were hooting. They were moping for my half-hardy heliotropes and other tender plants in pot, but I have outwitted them by taking the plants indoors before the frosts.

This year, nobody could grudge their half-hardy plants a long warm rest. They have flourished in pots but none have flourished more than these scented heliotropes. Ten varieties are listed in *The Plant Finder*, from Chatsworth to Lord Roberts: mine is the 11th, White Swan, a heliotrope which has pale mauve flowers and a scent straight from warm French heaven.

Heliotrope is also known as cherry pie. Its scent combines powder and chocolate and softens the insensitivity of bedding out in France.

If you want the real thing, you need to beg some cuttings from a named form during the next fortnight when their owners bring them under shelter. Varieties from a seed packet have none of the scent and delicacy of the true old Edwardian beauties.

Like most of the best things in pots, these plants are not hardy and so you have to follow October discipline. Last week's frost took out the weaker members of the garden unless you had anticipated it. Perhaps you still have fuchsias, verbenas, white penstemons or any of those trailing plants with silver leaves: if so, put them in a frost-proof shed immediately, or else my owls will be proved right.

If you are putting a large plant or semi-shrub to rest, cut it back quite hard and see that it is soaked heavily in water before resting in its new home. By cutting it hard, you encourage those first green shoots which every economist is hoping to see nowadays.

I prefer to leave these young shoots on the plant and only take them as cuttings in early spring: some books suggest that you should root them immediately and leave them in the same pot until March. I find that they rot more often than not.

Each year, gardening in pots tests the wisdom of the handbooks and throws up new possibilities. I have learned to follow rules which were being ignored ten years ago in dictionaries: they are still being ignored in the RHS's new *Dictionary of Gardening*.

They originate from amateur gardeners who have a sharp eye for decoration and are not merely horticulturalists. Their main rule is simple: pack in many more plants than any expert dares to tell you in print. Begin with a pot at least 2 ft wide and into it you can pack a dozen different varieties. They all tangle together and defy the usual wisdom so long as they are heavily fed and watered.

This year, the reason why the heliotropes were so good is surely that I planted them in almost nothing but animal manure. As the season ends, I can also endorse the use of water-retaining crystals or jelly, mixed into the compost when you plant it.

The Swel-gel really worked and I found myself watering some very heavy plantings only twice a week, a bearable routine.

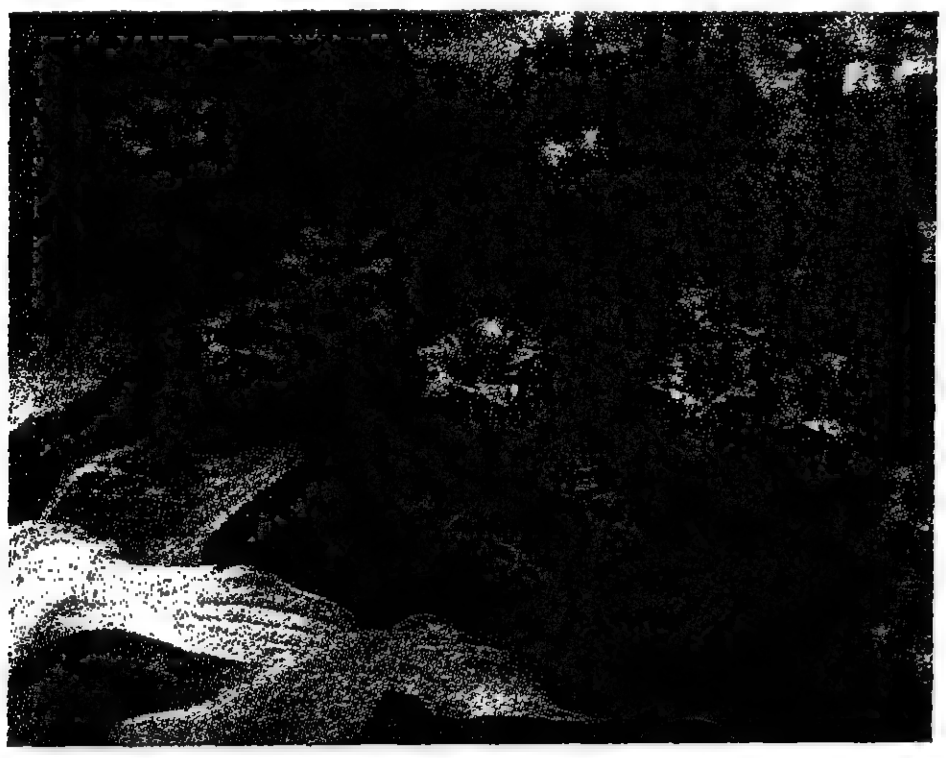
With the last of summer out of the way, the field is then clear to break the rules with bulbs. Once again, the books and the RHS dictionary are behind the times: they do not tell you to plant your bulbs in layers.

To my intense surprise, this method works. It allows you to put the tulips about nine inches deep on the bottom layer and then plant a second storey of narcissi about three inches above them and then round off near the rooftops with a layer of crocusses just near the surface of the soil.

Like the traffic on a main street in Naples, they somehow manage to queue without signals and move forwards without colliding.

The crocusses flower first; the narcissi then nose their way between them and eventually, the late-flowering tulips emerge through the jungle. In one pot, you can enjoy three seasons: they are not cheap but they are much more fun than an ordinary old pot full of scillas.

Once again, amateurs have discovered a trick which the experts ignored for years. Gardening in pots brings the best out of private ingenuity; pack the bulbs in, layer upon layer, like passengers on the London Underground. They give you three gardens in once space: this time, it is a real hoot, yours at the expert's expense.



Plant of the Week

Gentiana sino-ornata

This splendid autumn flowering gentian from China and Tibet sets a high standard of beauty with its large, azure-blue trumpets standing up on carpets of narrow shining green leaves. It can be grown most easily in beds of peat that contain absolutely no lime. It requires plenty of moisture and, unlike most alpine plants, benefits from replanting each March or April when it is just starting in to growth and tufts can be pulled out of the old beds with white roots attached. These tufts should establish themselves rapidly in moist peat in an open, sunny place. They must not be allowed to get dry which is one reason why it is easier to grow them in a deep bed of peat rather than in a pot. .... AH

Medal winners take trials in their stride

*New verbenas and begonias have caught **Arthur Hellyer's** eye*

AMONG THE many new plants to be *raised from seed* this coming winter and spring are two verbenas that I like very much.

Both have won gold medals in the Fleuroselect trials, which are held all over Europe. Both have been unfailingly beautiful in the trials in which I have seen them this past summer.

One, named Peaches and Cream, has flowers of quite large size its colour also includes shades of apricot, salmon and yellow. Verbenas are certainly plants that are coming back into fashion after some years of neglect and they can be used in many ways in the garden; as carpeting plants, for edgings, in containers of any kind – including window-boxes in which they will fall naturally over the sides – and, as small standards or dot plants each tied upright to a cane.

The second verbena to catch my eye this summer could scarcely be more different. It is called Imagination and it has *much smaller flowers. It is said* to be a hybrid with another species but the parentage has not been disclosed. The colour is a really deep violet blue, just the thing to contrast with Verbena Peaches and Cream or any of the pink or dark red verbenas.

Nierembergia Mont Blanc is another low-growing annual that has won a Fleuroselect gold medal and is available for the first time this winter. It is about 8in high, has narrow leaves and smothers itself in shining, white cup-shaped flowers rather like those of a campanula a very striking plant because of its whiteness and the freedom with which it flowers. It is fast-growing, almost hardy, and suitable for sowing either in a propagator in March or directly out of doors in April where it is to flower. Its compactness makes it an ideal edging plant.

Much looser in effect, but still a fine flowering plant, is a new variety of oenothera speciosa called Innocence. This is a fast-growing perennial which *I first noted* in the Suttons Seeds trial in Devon. Here it was about 18in high and covered in blush pink flowers but *the description of the plant is* white flushed with pink.

Although it is really a perennial that will live for years it is better to treat it as an annual, sowing under cover in March, picking out into boxes in April and planting in May where it is *to flower. It is specially recom*mended as an early flowering plant.

Suttons Seeds are offering four new F1 hybrid begonias all of which have had their seeds coated with a special paste which converts the tiny seeds into little pellets. It is claimed that this makes it much easier to sow and that the seeds generally germinate more regularly. The process is known as Superstart.

Three of the begonias treated are varieties of the small-flowered Begonia Semperflorens. Their names are Devon Gems, a mixture of colours in both flowers and foliage; Cocktail, also a mixture of flower colours but all with bronze leaves, and Pin Up which has white flowers with a pink *picotee* edge. The fourth is the one I like best. It is called Non-Stop Mixed and is of the tuberous rooted type with quite large, fully double flowers in a range of colours including shades of pink, red, yellow and orange.

Not to be confused with this pelleting of seeds, which is not new, are two pre-sowing treatments which seem to be basically the same, although I cannot be sure as not sufficient information has yet been issued about them.

One of them, known as Superstart, is being promoted by Suttons Seeds, the other, called Prime-Start, belongs to Unwins Seeds. In both the seeds are given pre-packeting treatment which brings the embryos of the seeds close to the point of germination without actually starting them into growth. The treatment is then halted and the seeds are hermetically packeted in the ordinary way.

When sowing time comes the seeds can be germinated in a simple propagator and will *grow with extra speed and certainty* because, in Unwins words, they are "bursting to grow." Unwins is using Prime-Start for a new begonia, a cineraria, a pansy and a verbena but I do not know the names of the varieties.

Suttons is using Superstart for five of its popular geraniums, Floribunda F1 Sensation Mixed, F1 Breakaway Red, F1 Video Mixed, F1 Gala Mixed, which makes a particularly compact plant and so is excellent for window boxes and other small containers and F2 Torbay Colour Mixed obtained from an open-pollinated F1 hybrid which is a cheaper way of producing hybrid seed and one that in this variety has given excellent results.

Clarkias are hardy annuals which can be sown in April where they are to flower. They are attractive plants which have never had a great deal of publicity but I think that a newcomer, Clarkia bottiae Pink Joy, may change that. It is an attractive plant, the flowers single and cup-shaped, white in the centre, pink around the edges.

They are very freely produced on 20in to 30in high stems. This could be an ideal plant for filling gaps in the borders in April or May, sown where they are to flower.

In most of the seed trials I have seen a giant annual sunflower which is new and more compact than any I have seen. Its name is Helianthus Music Box Mixed. It has large flowers with the big dark centres of the familiar annual sunflowers beloved of painters ever since Van Gogh but the stems are only about 3ft high. The ray petals range in colour from light yellow to bronzy red. This is a fully hardy annual which can be sown in spring where it is to flower in summer. The one necessity is plenty of light.

Who cares for the countryside?

Gerald Cadogan *considers schemes to keep the UK a green and pleasant land*

SO MANY SCHEMES nowadays encourage care of the countryside that farmers and landowners hardly know which quango or government department to deal with.

The Countryside Commission (CC) perhaps, or English Nature (EN), or the Rural Development P Commission, or the Ministry of Agriculture (MAFF), and their Scottish and Welsh counterparts (DAFS and WOAD)? The schemes appear overlapping and, as with social security, those entitled to do so do not always take up what is on offer. To help readers who have land or are about to buy an estate, our table explains the grants.

The present intent of all schemes is two-fold. They aim to reduce production by making farming less intensive – reversing previous policy – and to conserve, or improve, the countryside and its wildlife.

EN's new attitude shows how times have changed. In making agreements for Sites of Special Scientific Interest (SSSIs) it now emphasises active management. Typically, that could mean clearing scrub from a meadow rich in rare flowers and allowing grazing only for a certain number of days a year. On the way out is the Nature Conservancy Council's passive concentration on stopping "Potentially Damaging Operations" (PDOs), of which a long list encompassed almost anything you can do on a farm.

Next summer this approach will have a major boost when the Government submits its agri-environmental plans, in accordance with new EC agricultural policies. They will probably incorporate many of the schemes listed here. The Council for the Protection of Rural England (CPRE) suggests adopting a unitary and country-wide system of environmental management payments. Farmers would be paid to manage the countryside and enhance it.

The CPRE proposes, on the production side, cutting farm support so that a true market economy can dictate prices. What does need supporting is what we cannot, as private citizens, buy; care of the countryside. Farmers, it argues, should get far more public money in a balanced package to keep up their hedges and walls, be moderate in spreading fertiliser and treat their grassland and woodland so that species that have flourished from time immemorial will still do so, and not perish from overgrazing or hasty development.

Such proposals would complete the revolution in farming already under way and could be a positive encouragement to farmers and owners to carry on doing what they have always been best at – managing the land and employing farmworkers. It is a far cry from the making land and labour idle policy implicit in the Set-Aside scheme.

But it needs time and patience to convince farmers that these are wise and profitable courses. Inducements must be attractive and paid on time (often they have not been), and agreements tailored to the particular needs of a piece of land, and not blanket prescriptions.

You must have the right people to spread the word, says Lindon Cornwallis, of Chipping Norton, Oxfordshire, who has an SSSI and an NSA on his farm. He thinks senior people who know farming and conservation are needed. The Barn Elms reservoir in west London shows how specific negotiation succeeds. Next to Harrods furniture repository it is no longer needed. Thames Water wanted outline planning permission for housing, but it has been an SSSI as a bird habitat. To meet the objection, Thames Water called in a firm of environmental consultants from Chester, R. P.S. Clouston (0244-313486), who in turn consulted the Wildfowl and Wetland Trust at Slimbridge, Glos. and came up with a scheme for a bird reserve and visitors' centre, which at the same time allowed plenty of space for future housing.

Dr David Hockin, of Cloustons, thought that the adversarial system inherent in planning inquiries and appeals did not automatically produce the best results. The issues were more a matter of nitty-gritty scientific observation and interpretation. He spoke to me from a badger sett near Reading, where he and his team have spent nights observing badgers and their habits. He will then suggest a plan to protect setts and identify unbadgered land to build on.

And when estate agents advertise SSSIs on land they are selling, we know attitudes have changed. Savills in Norwich (0603-612211) is offering the Didlington Hall estate, which includes an SSSI of three glorious lakes dug in the early 19th century.

Unusual swamp plants are the breeding ground for gadwall, teal, shoveler and great crested grebe. Bewick and whooper swans winter there. The big house was demolished in 1950. With 460 acres at a guide price of £850,000, it is an *ideal spot for the romantic, well-heeled birdwatcher to build a new house and a state-of-the-art birdhide.*

Didlington Hall Estate in West Norfolk: ideal for the well-heeled birdwatcher

The FT guide to MAFFspeak

CPRE – Council for the Protection of Rural England (071-976-6433), a watchdog, highly effective for its quiet handling of government departments.

CC – the Countryside Commission in Cheltenham, Gloucestershire (0242-521381). Set up in 1968 to promote enjoyment of the country. Counterparts are **CCW** and **SNH**: see under **EN**.

Countryside Stewardship – a CC scheme to encourage public use of seven typical English landscapes: chalk downs; lowland heath; river valleys; coasts; uplands; historic landscapes (a deer park was the first) and old meadow. One year old and an unexpected 900 agreements signed. It must protect existing field walls, hedges and trees. Grants from £20 to £100 an acre. More for public access, or school use, or new footpaths (10p a metre) or footpaths for the disabled (20p). A similar scheme in Wales, **Tir Cymen**, began in July but is restricted at present.

EN – English Nature, based in Peterborough (0733-340345), used to be the English division of the Nature Conservancy Council. Its counterparts are **CCW** (Countryside Council for Wales) in Bangor (0248-370444) and **SNH** (Scottish Natural Heritage, 031-447-4784).

ESA – Environmentally Sensitive Area. By 1993 there will be 31 ESAs, run by **MAFF**: fine but fragile country from the Lake District to the Suffolk River Valleys. Grants up to £120 an acre, with extra payments for, say, clearing scrub on the South Downs or rebuilding dry stone walls in the Dales. Payments, in 1991 totalling £8.2m for 3,100 schemes, are expected to reach £45m in England in 1994/95. The EC pays about 10 per cent of the cost.

F&CGS – the Farm and Conservation Grant Scheme gives 15 to 40 per cent grants for capital expenditure of environmental value, such as shelter belts, field boundaries, bracken control and heather management (good for grouse).

Farm Diversification Grant Scheme – 25 per cent capital grants for non-agricultural work on the farm, such as a shop with car park.

FWPS – the Farm Woodland Premium Scheme, run by **FC** and **DAFS/MAFF/WOAD** to encourage planting of broadleaved woods on productive farm land, replaced the Farm Woodland Scheme on April 1. Planting grants up to £630 an acre for broadleaves and £400 for conifers, with a £160 to £240 supplement for using arable and improved grass land. Annual payments up to £100 an acre for 15 years for 50 per cent planting of broadleaves.

FC – Forestry Commission, based in Edinburgh (031-334-0303) and charged since 1919 with promoting native forestry, so that we should not be dependent on foreign wood in times of war. Though it has introduced non-native species such as the sitka spruce that blights the Borders, it now emphasises deciduous trees.

Hedgerow Scheme – launched in July by the DOE with CC and **MAFF**, with funding of £3.5m over the next three years.

Landscape Conservation Grants - small grants from CC and CCW for small schemes for planting trees and woods, cleaning ponds, etc.

MAFF – Ministry of Agriculture, Fisheries and Food. Counterparts are **DAFS** (Department of Agriculture and Fisheries for Scotland) and **WOAD** (Welsh Office Agriculture Department).

NSA – Nitrate Sensitive Area. Following an EC directive, a pilot MAFF scheme to control nitrates leaching from the earth, mainly by cutting fertiliser application. The aim is to improve drinking water. Th UK will need some normal wet years to see if it is succeeding.

Project Grants – discretionary grants from EN and CCW for anything that helps nature conservation. Equipment, seasonal labour and display boards may all be covered.

SSSI – Site of Special Scientific Interest. Run by EN etc. SSSIs in England now total 3,675, covering 6 per cent of the country's area. Most are special habitats for the rarer plants, birds and animals; some are chosen for their geology. Typical is a rare wild sage habitat in Oxfordshire (£59 an acre). Locations little publicised. Linked is the pilot **Wildlife Enhancement Scheme** (£20 to £30 an acre).

Set-Aside – this EC scheme reached the UK in 1988. Many farmers curse it as it makes land idle. Up to £90 an acre for removing land from production for five years. Related is the **Countryside Premium Scheme** in East Anglia including Herts and Northants – inquire from the CC in Cambridge (0223-354462) – with extra payments up to £80 an acre for schemes that benefit wildlife, landscape and community use of the countryside. Higher payments for combining **Set-Aside** with **FWPS** or **WGS**.

WGS – Woodland Grant Scheme. Introduced in 1988 when the tax concession on forestry were repealed, pays planting grants. The best are for small stands (one to two acres) of broadleaves: £600 an acre. Grants may also be available from the **Rural Development Commission** for refurbishing traditional farm buildings, or English Heritage for management agreements to protect **SAMs** (Scheduled Ancient Monuments), or local councils. **AONBs** (Areas of Outstanding Natural Beauty) and **National Parks** also have schemes.

MOTORING/SPORT

Motoring/Stuart Marshall

Shadow over the motor show

NEVER before has there been a British International Motor Show like the one opening to the public at the National Exhibition Centre, Birmingham, today. Whether there will be a similar one again may depend on how many people pass through the turnstiles between now and Sunday 1 November.

For the first time since the Society of Motor Manufacturers and Traders held a motor show in 1903, there is a sponsor from outside the motor industry and the show is being combined with another event on the same site.

The Daily Mail has chipped in with £2m and the motor show is being held jointly with its Midlands Autumn Ideal Home Exhibition. The same ticket admits visitors to both shows. But never mind. The echoing halls of the NEC contain a dazzling display of the world's latest cars, presented with style and razzmatazz. It's all a bit like one of those grand knees-ups that used to *held by the opposing commanders* on the eve of 18th and 19th century battles.

Reality (for which read recession) is out of sight and mind for a few days, after which the car makers must get down to the task of cutting one anothers' throats again.

Some of the biggest exhibitors at NEC spend up to £2m each on their stands. Privately, they admit they would love to pull out of the motor show altogether – but only if one of their competitors did so first.

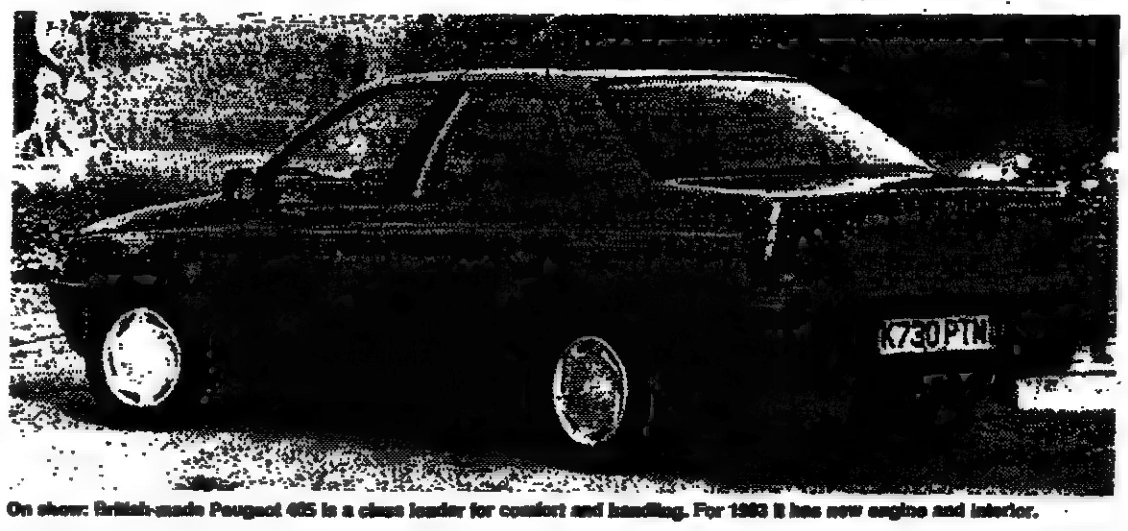
With about one-third of annual British sales now concentrated into August, they see it as a costly irrelevance held at the wrong time of the year.

A cynical view? Of course. But one can argue that the great set-piece motor show is rooted in an age that no longer exists. The concept dates back to a time when there were still lots of British car makers. They used to unveil genuinely new models in a blaze of publicity at Earls Court, where the show was then held.

Today, the industry is more international than national. New cars, usually spoken about freely beforehand, appear throughout the year. And at most of the international shows – not just our own – genuinely new models are heavily outnumbered by cars one could see and test drive at a local dealer. Tokyo Show is an honourable exception to this rule.

Having said all that, anyone having an interest in motoring, strong legs and a comfortable pair of shoes will enjoy a day at the Birmingham show. If the cars should finally pall – and they do ultimately provoke a sort of visual indigestion – there is always the Ideal Home Exhibition to look at.

My personal pick of things to see would be the cars that are new to a British visitor. The Audi 80 estate car, front-wheel or four-wheel driven, that goes on sale here in January is one. Take a look, too, at the Audi 100 saloon with a 2.5 litre direct-injection diesel engine and 6-speed gearbox. It is among the most fuel-efficient cars in the world.



On show: British-made Peugeot 405 is a class leader for comfort and handling. For 1993 it has new engine and interior.

BMW's new 3-litre and 4-litre V8 engines power the 730i and a 740i that fills a gap in the range between the old 735i and the V12 750i. *Also* on show are a V8 engined 530 *saloon and the ultimate* BMW, a 5.6 litre, 380 horsepower V12 engined 850CSi which reaches Britain in the Spring.

Chrysler's ultra-rapid ruffian of a car, the 8-litre, 10-cylinder Dodge Viper, will not be on sale at £50,000-plus until late next year. But the Chrysler Wrangler and Cherokee Jeeps will start undercutting rival 4x4s from January.

Seven 3-door ZX models priced from £8,500 for an 1.4i Aura to £14,500 for a very high performing 16v are on the stand of Citröen, *which took over five per cent of* Britain's new car sales in August.

Daihatsu's under £12,000 Bertone-styled, BMW 1.6 litre engined Freeclimber 4x4 is assembled in Europe and comes outside the agreement limiting UK sales of Japanese cars to 11 per cent of total registrations. This will make it practical for Daihatsu (UK) to import about 600 Mira microcars next year. This tiny five-door has an 850 cc, 3-cylinder multi-valve engine and five-speed gearbox. It will retail at around £6,000, with a three-year, unlimited mileage warranty.

Compare it with Fiat's 900 cc, 4-cylinder Cinquecento baby car, due in Britain early next year.

Ford is showing the face-lifted Escort and Orion powered by the new 16-valve Zeta engines. Hyundai's turbocharged Scoupe now has performance to match its sporty looks.

Although Honda's British-made Accord is absent, the new 140 mph Prelude VTEC coupQ is being claimed (by Honda) as Europe's safest car. Apart from ABS brakes and electronically controlled 4-wheel steering it has driver and passenger side airbags as standard equipment. *Its 2,157 cc four-cylinder* engine produces a remarkable 185 *horsepower and is said to be signifi*cantly less thirsty than that of equally potent rivals. Mercedes, which has announced that driver's side airbags are to be standard on all its cars, is showing revised versions of many current models with multi-valve engines.

Mitsubishi's made-in-Australia 3-litre *Sigma estate car and the res*tyled Lancer liftback range are new to Britain.

One of the most important British-made cars at the NEC is the new Nissan Micra compact hatchback, which goes on sale in the UK early in 1993. By that time the Spanish-built, up to 8-seat Nissan Serena *multi-purpose vehicle, on show for* the first time in Britain, will also be available.

Peugeot's best-selling, British-made 405 has a new interior, an easier-to-use boot and new engines, including the 1.9-litre turbo-diesel first seen in Citröen's ZX, to go with its *class-leading ride and handling*.

The Safrane, Renault's 25 replace*ment, will compete* with cars like the Ford Granada, Rover 800 and Vauxhall Carlton in the executive market.

Rover's MG RV8 has the looks of a 30 year-old MGB but a 3.5 litre Rover V8 engine and 5-speed gearbox give it far more performance. A curious mix in some ways, but its low volume production will keep the name alive and prepare the way for a really new MG.

The sleek Aero replaces the Carlsson as the muscle car of *Saab's* range. Subaru's cheeky little Vivio is good news for any potential runabout buyer living in Britain's snow *belt. It has three-cylinders*, instantly selectable four-wheel drive and five doors, all for just under £7,000. motoring 6 The Carina E, due to be rolling off the line at Burnaston, Derbyshire, in a few weeks; the latest 4.2 litre turbo-diesel Land Cruiser; and some entertaining oddities of concept cars, including one that drives on the road or hangs from a monorail, are *on Toyota's stand*.

More down to earth are Vauxhall's restyled Cavaliers, among them turbocharged 4x4 and V6 engined variants. Vauxhall Astras will be offered with driver's side airbags, a new automatic transmission and air conditioning early in 1993.

This looks like a smart move.

With electronic enforcement of speed limits now a reality, cars of the future will have to be comfortable, easy to drive and safe above all else. The message seems to have gone home at Vauxhall.

Rugby League: Britain and Australia meet today in the World Cup final. ***Kevin Brown*** *in Sydney, and* ***John Hopkins*** *assess the two sides*

Hard workers in an industrial game

HAVE ANY industries been more closely associated with one sport than cotton, and wool and coal mining with rugby league? As Geoffrey Moorhouse noted in *At The George*, his book of essays about rugby league: "The *industrial* heartland of the north of England was *powered by men who worked* in the mills, foundries and pits of the region . . . in time the majority of rugby clubs in the north drew their playing strength from . . . these places."

There is therefore, a particular piquancy that at the moment that Britain's rugby league team has achieved its greatest success by reaching the final of the World Cup *at Wembley this afternoon*, 30 pits are being threatened with closure and British Coal is ending its sponsorship of Great Britain's rugby league team.

Eighty thousand spectators will be at Wembley to watch Britain play Australia, the world champions. Great Britain have improved so much recently that the Australian coach said the current side would *beat its predecessors of four and six* years ago by 30 points. Nevertheless, the Australians are the favourites. They have held the Ashes since 1970 and won the World Cup in 1975, 1977, 1985 and 1988.

"They are the champions. They have beaten us in the past two Test series," says Jonathan Devereux, *the burly Widnes back who was* in Great Britain's World Cup squad. "Their record *stands for itself* and in Allen Langer they have the outstanding player. If he was in our side then we would be favourites. He has got everything. He has speed. He can read a game very well. He has electrifying pace over ten yards, which is what he needs to get through a gap. He can wrestle the ball clear of his opponents in a way that is almost uncanny for a small man. He is a good kicker and he is very tenacious."

If Langer, a scrum-half, is a potential match winner for Australia, *then Martin Offiah is quite capable* of doing the same for Great Britain. Offiah, whose nickname is Chariots, is the fastest man on the field so long as the injury he appeared to be carrying last Sunday when he played in the Lancashire Cup Final has healed. Much will depend on him as *it* will, too, on Gary Schofield, Great Britain's captain, playing in the centre, and on the 35-year-old warhorse, Kevin Ward, *in the front row*.

'Australia are the champions. They have beaten us in the past two Test series'

If Great Britain win, and it is an even money bet that they will, then they will have demonstrated how much they have learnt from the Australians in the past ten years.

A decade ago British rugby league hit rock bottom. It was time for change and officials were dispatched from Britain *to sit at the* feet of men who had once been their pupils. They discovered that Australian rugby league was applying science to the art of football, setting scientifically determined standards for everything from diet to fitness.

Whereas in Britain many training sessions included unopposed rugby, the Australians favoured fierce physical contact in practice. This was one radical change. Another that the British noted was the way the Australians work with weights to develop their upper bodies. The British, up to then, had concentrated on building up the torso and legs.

The result was a generation of massive, fast-running men like Mal Meninga, the Australians' captain who is 6 ft 1 in and weighs 17 st 2lbs. This afternoon he will face Gary Schofield who is 5 ft 8 in and 12 st 7 lbs. Schofield is wiser and heavier than he was when he met Meninga in 1984 and was thrown around like a rag doll, but he is still giving away five inches and 66 lbs.

The Australians did not stop there. They trained hard so that they could play the game at a fast pace. Having done all this, they set about shoring up their defence so that it was well-nigh unbreachable.

"They put so much pressure on you when they have not got the ball that you *start* to make mistakes" says Davies, a member of Britain's 1990 Test team.

As the years went by, the Australians refined all these skills, making themselves more formidable still. One try in the second Test against Great Britain in 1990 bore out everything they had been trained to do. The ball was in play for 36 seconds and there were 16 passes before the *try-scorer touched down. No other* team could live with such an athletic, *skilful* approach.

The advances shown by the Australian rugby league teams were soon noticed by that country's rugby union authorities as well.

Pride of Lions: Great Britain's rugby league team during their last defeat against Australia at Sydney during the summer.

That code now produces big men of great athleticism, trained to a higher level of fitness than ever before. When these mastodons are teamed with key individuals in the key positions such as scrum-half, stand-off and full back, then the *entire team whirrs as smoothly as a* Swiss watch. The result is that the Wallabies won the rugby union World Cup last year and there is no sign of their dominance being ended.

As the Australians were pushing back the frontiers of the game, so in Britain it was being professionally administered and marketed. In the days of Eddie Waring commentating on BBC television on a Saturday afternoon, rugby league was, frankly, a joke.

To my eyes, used to the rhythm of rugby union, rugby league was nothing more than a *series of crash*, bang, wallop attacks. Six tackles and then something had to happen. The game seemed one-paced, physically unambitious, tactically sterile. "Oooooop and oooonder" and "he's taking an early bath" were Waring's catch phrases.

Now it has become a game of considerable pace and skill – as you should see this afternoon. It is as different from the rugby league of 20 years ago as colour is from black and white television and jets are *from propeller-driven aeroplanes*.

"Rugby League has remained unusually true to itself" noted Moorhouse, "an expression of values as well as a challenge and an entertainment now embedded deeply in the lives of generations on both sides of the world . . . But a game can be much more complex than patterns of athletic energy on a playing field. It can reflect and embody various habits and attitudes that amount to nothing less than a way of life and this game *does*."

Like rugby union, rugby league is a game in its prime.

J H

Australia's shrinking violets

T*IMID* Australian sportsmen are about as common as possums in Pontypool. So why are London and Sydney suddenly crowded with shrinking violets talking down Australia's chances in today's Rugby League World Cup final at Wembley?

Kangaroos coach Bob Fulton *set the tone before leaving for* London, warning that Australia's 2-1 victory in the Ashes series earlier this year was no guide to form for the World Cup.

"Great Britain should be favourites. We haven't got much in our favour. If we don't win at Wembley, our Ashes success won't mean the same. In football, people have *short memories*," *Fulton* moaned.

It doesn't seem to matter who you talk to. Kangaroos captain Mal Meninga and experienced second rower Bob Lindner both warn that Australia will have their work cut out to beat Great Britain.

Back in Australia, some *of* the experts are going even fur*ther. "If I had to put up my* money I'd back the Poms," 1988 World Cup star Wayne Pearce told fans in Brisbane yesterday.

More is at stake than just the World Cup. Australia have towered over international rugby league since 1970, the last time Great Britain won an Ashes series. But they have never led the all-time league table.

This year's Ashes games left *Australia and Great Britain* with 52 wins each since the first Test in 1908. A Kangaroos victory would justify Australian claims that Sydney is now the centre of world rugby league.

So are the wily Australians serious, or are they trying to *disarm the despised Poms* before sending out another team of fast-moving giants to take the trophy back to Sydney, its home since 1975?

Fulton is clearly concerned about the long lay-off enjoyed by the players since the end of the domestic season in September. Easy tour matches against mediocre opposition like Sheffield, Huddersfield and Cumbria will have done little to restore match fitness.

And taking a break does affect performance: the world *club championship*, played in the Australian off-season, has never been won by an Australian side, in spite of Australia's dominance at international level.

Secondly, Australia's pre-eminence over the last 22 years has encouraged a focus *on the domestic game, prompt*ing many Australians to rate the local Winfield Cup competition ahead of international games. Some commentators fear the Kangaroos may not be hungry enough to win.

But the real cause of Australian caution is recent results, which suggest that playing standards in other countries may be catching up, perhaps heralding the end of Australia's long period of dominance.

The first crack in the facade appeared in 1991, when Australia *unexpectedly lost* 24-8 in Melbourne in the first of a three match series against New Zealand. More seriously, Australia were thrashed 33-10 by Great Britain in June in the second Ashes Test, again in Melbourne.

For *perhaps* the first time two *decades, the British made* the Australians look ordinary. Significantly, the match was played in the kind of soft conditions the Australians are likely to face at Wembley.

Australia won the series after victories in Sydney and Brisbane, but no-one who saw the Sydney Test will forget the electrifying sight of Martin Offiah twice getting away on the left wing, each time denied a try by the narrowest touch *of boot on sideline*.

Offiah's chances of escaping *today must be improved* by the absence of the the injured Andrew Ettingshausen, the top class full back who forced him into touch on both occasions. But as successive British tourists have discovered, the structure of the modern game in Australia produces *teams which are very hard to* beat. The Winfield Cup has expanded and strengthened considerably since 1980, and now includes teams from Queensland, Canberra and provincial New South Wales as well as Sydney.

The gradual enlargement of the competition has increased the pool of top players and coaches available to the national side, and helped the game maintain its dominance among Australia's four football codes, at least in the core *rugby league states of New* South Wales and Queensland.

Ominously for British fans, the strengthening process is likely to accelerate in the next couple of years, when the competition will be expanded to *include Auckland in New Zea*land, adding all the emotions *of international football to the* weekly league programme.

Like their British counterparts, Australian coaches put a lot of emphasis on commitment, physical fitness and tough tackling. But the dry sun-baked grounds also encourage speed and ball handling skills which are harder to develop in the freezing dampness of English winters.

*The Australians have bene*fitted over the last few years from the inspirational captaincy of two outstanding players who epitomise all these qualities: "King" Wally Lewis from 1984 to 1990, and latterly Meninga, Australia's most capped player and record *scorer with 250 points*.

Meninga's success in replacing the legendary Lewis has played a big part in keeping Australia at the top of the rugby league tree, but it places a huge responsibility on him in the final.

If Meninga and Allan Langer *fire on the Wembley turf Aus*tralia's weasel words over the last few days are likely to be quickly forgotten. If they do not, all the advance excuses are unlikely to protect Fulton and his men from a raucous reception back in Sydney.

K B

Deborah Sears' delicate blue and white Landscape pattern on her Isis Ceramics

It'll be blue and white on the night

***Lucia van der Post** treads — delicately — through the china shops*

THERE ARE those for whom the fad for blue and white china seems just that – faddish, a modish sort of cult, promulgated by interior decorators who are fond of placing elaborate pieces against strategically-chosen backgrounds. I will nail my colours to the mast. I love it. I collect it. I could never have enough of it.

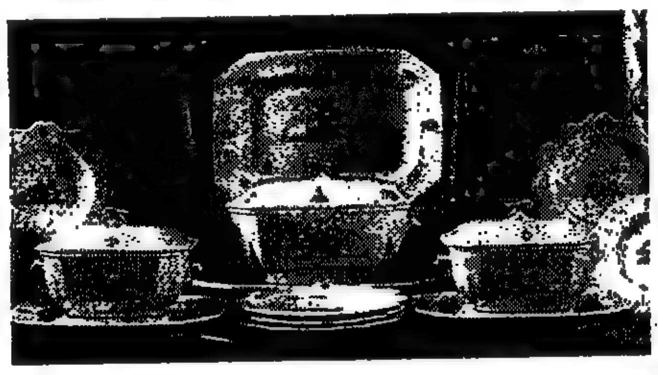
I understand why the English went wild when they first caught sight of those delicately hued pieces from China and Japan, how they marvelled at the Persian mosaics and beat a steady trail to The Hague to collect Dutch Delft ware. No wonder the Staffordshire potteries soon started to experiment with their own versions of the ancient glazes.

Not so long ago anybody with an eye and enough energy to scour the markets could have picked up considerable collections of blue and white for quite affordable sums. Those days are long gone.

A single dinner plate in a good blue Minton, Spode or Worcester will not leave much change out of £80 – which means one thinks several times before producing it to serve the lasagne. Some companies, most notably Spode, do produce contemporary versions of 18th century patterns, but most lack the subtlety and depth of their 18th century counterparts.

However, three designers, each influenced by the subtle charm of traditional blue and white and each wanting to explore the traditional glazes in their own way, have produced new versions of age-old charmers.

Richly-hued blue and white from Joanna Howells



A grand dinner service, 18th century-style, from Braithwaite and Scott

The ranges are not cheap – but then they never were, the rarity and costliness of the blue and white pigments played no small part in their desirability in the 18th century – but all are beautiful and the sort of china that you would want to guard carefully and hand on to your children.

William Yeoward, who already runs a painted furniture business in London's Chelsea, has just set up a company to reproduce 18th and 19th century dinner services and creamware with the simple old English shapes that used to be so prevalent and are now so hard to find.

"I wanted to reintroduce all those generously sized plates and bowls, those lovely tureens, complete with their lids, and to do for the dinner services what Divertimenti and Tricia Guild have done for earthenware."

Pavilion, photographed here (bottom), is the blue and white version he has produced. Inspired by Delft ware, all the pieces are hand-painted on a pale blue background and, if you look carefully, you will see that each piece sports one of eight pavilion motifs.

Each piece has a cartouche of an 18th century urn at the top. There are two sizes of serving tureen, one for soup, the other for vegetables, both with lids. There are four different sizes of plate. It took at least two years to get the designs right as) old moulds had to be resurrected to get the shapes he wanted.

For the first collection there are seven sets – some breakfast, some dessert, and some running the gamut. In my view Pavilion is the nicest but Housekeeper's and Creamware Service also has a gentle appealing Englishness about it – lovely plain cream pieces with rust-coloured edges and a simple central motif. Tureens and serving dishes are gorgeous.

Prices range from £30 for a tea plate, to £35 for other plates while a soup tureen is £110 and a vegetable tureen £93.

The complete range of Braithwaite and Scott china is at 336 Kings Road, London SW3.

Deborah Sears is the driving force behind Isis Ceramics which specialises almost exclusively in blue glazes on white earthenware and now offers some seven different patterns. Word of her work has already got out, collectors are beginning to home in on each new piece and top stores such as Bergdorf Goodman in New York and Takashimaya in Tokyo sell it.

Deborah's painterly background can be seen clearly in the delicacy of the designs on the pieces photographed here. She produces pieces in the authentic English Delftware tradition and uses only original glazes and pigments such as cobalt and tin. All the pieces are hand-painted.

Besides the tableware there are also decorative pieces such as lamp bases and the lidded jar and vases shown in the photograph. Besides Landscape, the pattern pictured above, there is the enormously popular English Garden, based on a 17th century theatrical garden, as well as tulip and animal motifs.

Prices for the bigger pieces may seem expensive – £80 for a large platter, £50 for a colander bowl (which, incidentally, makes a most wonderful piece for arranging flowers as well as fruit or vegetables) – but there are smaller things, such as the hugely popular flower bricks which sell for about £30 each.

Readers are welcome to go to Deborah Sears' studio, an old Victorian workshop, at The Old Toffee Factory, 120a Marlborough Road, Oxford 0X1 4 LS (tel: 0865-722729) to see and buy the work. She is open on weekdays from 10 am to 4 pm but during December will be open on Saturdays as well. A good range of Isis Ceramics can be seen at The General Trading Company, 144 Sloane Street, London SW1, Thomas Goode, 19 South Audley Street, London W1, The Oxford Collection in Oxford and Flemings of Richmond.

Joanna Howells came to love ceramics in general – and blue and white in particular – when training to be a doctor at Cambridge. She used to wander around the Fitzwilliam museum and came upon the collection of Song porcelain. She, too, makes all her pieces individually – each is thrown and then hand-painted.

Her work is less delicate, more richly hued than the subtle pieces of Deborah Sears. So far there are just a few patterns – Heavenly Bodies, which besides its deep blues also has 18 carat gold and burnished platinum, Hibiscus, which is more delicately hued, Seahorses and Lilly.

Prices range from about £60 for a lamp base to £49 for a standard bowl. A spectacular 18 in bowl would be about £140. Joanna's work is stocked by: the V & A shop at The V & A Museum, Brompton Road, South Kensington, London; Preston & Buller, of Wimbledon, and New Moon of Hatfield, Hertfordshire. She can also be contacted at her workshop, 2 Albion Square, London E8 4ES. Tel: 081-341-7306.

An old style gent

Hackett style . . . top: a gun club check jacket in tweed, £255; blue shirt, £45; silk tie, £35. Above left: Lovat lambswool cardigan, £89, worn with jean cut moleskins, £59 and a blue check shirt, £45. Above right, shaving and toothbrush set, £89, a havana bridle shaving and toothbrush set, £89, enamel shaving brush, £39, enamel shaving bowl, £15 shaving soap refill, £1.50. Immediately above: a selection of Hackett's toiletries.

HACKETT MAN should be in clover. As from this week he now has his own complete gentleman's outfitters where nothing jars or is out of place.

There he can worship at the altar of tradition, Englishness, quality and all those other values so dear to the hearts of those whose preferred style of dress owes nothing whatever to Armani, St Laurent or anything that could remotely be labelled fashionable.

All the time-honoured products that Hackett man depends on are gathered together under one roof. If it were aimed at any other sort of chap one might be be tempted to call it a men's department store but for Hackett man a gentleman's outfitters sets the mood exactly – it is what his kind of dressing is all about.

Its location is spot on, too, right in the heart of Sloane Ranger territory, next door to the Sloane's favourite shop, The General Trading Company, and around the corner from Peter Jones, epicentre of Sloane school runs.

The official opening of the flagship store (the store is already operating but there is a big glitzy opening next Thursday) is one big step forward in the development of the Hackett brand.

Ever since Alfred Dunhill perceived that Hackett was a brand with huge untapped potential – rumour has it that Lord Douro, Alfred Dunhill's chairman, is a regular Hackett dresser – and bought it in June last year, plans have been brewing.

James Pow, the managing director recruited from Mulberry, has no qualms about opening a flagship store in the middle of a severe recession and sees it as the first step towards establishing a full-blown international brand.

"There is a big gap in the market between expensive Savile Row tailoring and High Street clothes.

"London needs a simplistic authentic gentleman's outfitters, a store with the feeling that Brooks Bros had 15 or more years ago. We want it all to be quietly, authentically English, with no pressure to buy, you will probably either like it all or dislike it all.

"I believe firmly that the 1980s were an over-fashioned time and that people now want to get away from frills and hype and look for quality and value for money."

Those who know and love the Hackett style already will be aware that it grew out of a love of the qualities found in the best second-hand clothing.

Ashley Lloyd-Jennings and Jeremy Hackett are two immaculately dressed chaps who could not find modern menswear with the qualities that they admired. So they started to manufacture menswear to traditional standards.

The style of the new Hackett shop is a natural evolution from that. A sense of Englishness is fundamental to the store. According to James Pow, 99 per cent of the products are British-made.

There will be a made-to-measure service in suits (which basically means making personal adjustments to ready-made clothing) and a full bespoke service (prices around about the £895 mark). There will be all the usual masculine appurtances from shirts to shoes and ties. Casual moleskin trousers sell for £55, tweed jackets, all made according to the stringent LLoyd-Jennings/Hackett standards, for about £235.

How you regard those prices depends on where you normally shop – those who are used to Ralph Lauren prices will be impressed, those whose usual stamping-ground is Marks & Spencer may find the prices rather a shock. But before you judge look carefully at the quality of the fabric and the making.

New to Hackett is a collection of English-made leather goods (such as the black crossgrain travel shaving and toothbrush case, photographed here top right), while those who liked the old barber's shop in the Covent Garden store will be happy to know that a barber's shop has been reinstated at the new store.

Hackett is not – and cannot be - to everyone's taste. If Armani, Paul Smith or Boss are more your scene you may find it a little too traditional, a touch dapper or fogeyish. But, for every man who longs to dress in a way that is above and beyond fashion and who just wants to put on his clothes and then forget about them, Hackett has a lot to offer.

■ Hackett is at 137/138 Sloane Street, London SW1.

A whimsically hemmed petal skirt in hand-dyed black or charcoal silk organza, £390. The stud vest is in silk crepe de chine, the frill cardigan in black or stone Viscose, £175. Workers for Freedom clothes are available in Harrods of Knightsbridge, London SW1, Liberty of Regent Street, W1, The Clothes Shop in Wilmslow, Cheshire, Eva in Ipswich, Suffolk, Hoopers of Cheltenham and Tunbridge Wells and Image of Bath.

Workers prepare their French revolution

Lucia van der Post on two English designers who are moving to France

YOU WOULD need to be a fairly assiduous follower of fashion to be absolutely *au fait* with what it is that Workers for Freedom do. Among a small, select, and international circle, they have had a serious following ever since they launched their first collection in 1985 and winning the British Designer of the Year Award in 1989 did them no harm at all.

They manage to produce a collection which does the almost impossible: it has English roots and international appeal. They manage to be English without being either eccentric or going down the slightly updated classic route. Many of the fabrics are hand-dyed, hand-painted or embroidered and this high class craft element imbues each garment with a quality that seems to be what the 90s consumer is looking for. If there is a word to describe their clothes, it has to be romantic, and if not romantic, then whimsical.

They are most famous for their deliciously frilled or embroidered shirts and fans like the model Catherine Bailey collect them, buying each new design as it comes out.

Frances Mossman, deputy course director in textile and fashion at the Royal College of Art, remembers when she first discovered them and how she bought their famous silk shirt with the embroidered roses in every colour they did it in.

"They have that magic thing of being romantic and classic at the same time. I keep all my Workers for Freedom clothes and when I bring them out again find that they never look out of date." Paul McCartney used them to design the clothes for his world tour. Jonathan Price wears their suits when he is collecting awards.

For fans of Workers for Freedom there is both good news and bad. The bad is that Graham Fraser and Richard Nott, the duo behind the label, have closed their shop in Soho ("we were offered the kind of sum for our lease that we would have been silly to refuse") and are moving their entire operation to France. "We had watched other friends of ours running big ad campaigns and film production companies by telephone and fax from their house in France and we realised we no longer had to be in London to operate."

They are, they swear, not giving up designing, it is more a search for a better way of living and working, away from the city. It is also, as many British designer have realised, about the only way of cracking the magic £1m barrier.

"Somehow," says Graham, "we have many successful designers who achieve £1m turnover a year but it is almost impossible to expand in the UK as there is no manufacturing base for designers of our kind of size. In Japan companies will willingly produce 60 metres of a special fabric, here nobody is interested in anything but large runs. If we want to expand internationally – and we do – we have to be able to farm out the manufacturing, the distribution and the selling, which are not what we are best at in order to be able to concentrate on what we are best at which is the designing. It is why designers such as Rifat Ozbek, Jasper Conran, Katharine Hamnett, John Galliano and Vivienne Westwood have had to seek management skills and extra funds abroad."

The winter collection is in the shops, the spring/summer group going into the shops after Christmas will be the last collection from London. There will be a hiccup while they miss next winter's collection and "reassess designer clothing, where it should be going and what it should be doing."

The good news is that for all those who find Workers for Freedom prices (from about £190 for a blouse to £400 for a jacket) beyond their means they have designed a spring/summer collection for Littlewoods mail order catalogue.

It will not be available until January, but in late December you can order a catalogue by 'phoning 0800-616-61156. Based entirely on black and white the most expensive garment in the collection is £49.99. There will be handknits for £34.99.

Trevor Humphreys

Romantic cavalier for evening. Stone wool jacket with buttons down the edge, £345, worn over a brown or charcoal silk organza blouse, £195. The zebra-print silk pants in brown and black, grey and black, ivory and black or ivory and stone, are £235; the ankle boots, £89.50 from Russell & Bromley, 24-25 New Bond Street and branches

Take a cheap plunge in the art market

THE ART market may be in a state of disarray, galleries may be folding, artists wondering how to pay their bills, but somehow the Contemporary Art Society manages to inject some fun and dash into the business of investing in a little art.

Other galleries are posher, other works of art finer but the Contemporary Art Society in its annual collaboration with Sainsbury's brings art right into the mainstream of ordinary life.

For a start there are the prices. They begin at £100 and the maximum is £1,750, far lower than the prices in most of the Cork Street galleries.

There are the works of art – everything from original paintings, to drawings and sculptures. There is also the *atmosphere – much more* like a marketplace than a hushed and pompous gallery. People come and people go; paintings go and are replaced by others. Customers seem to come from almost every walk of life. Some are young, some are old and what many of them have in common is they have grown to like buying art this way and come every year.

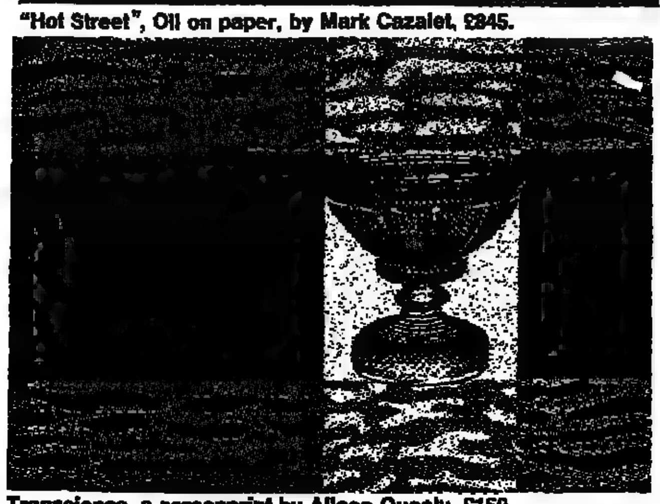
If you have a fine and distinguished collection of ancient masters, this is not the place for you but for those wanting to know where and how to start buying there could hardly be a better way.

The Contemporary Art Society also runs a "Collecting on a Budget" course for those interested in buying the works of young, undiscovered artists. It costs £120 for six evenings and aims to give an idea of how to buy, what is available, to take those interested to see *studios, auction houses,* print-makers and galleries.

The exhibition is at Smith's Galleries, 25 Neale St, London, WC2 from October 27 to November 1, Tuesday to Friday, 11 am to 7 pm and on Saturday and Sunday from 11 am to 5 pm.

L v d P

"Hot Street", Oil on paper, by Mark Cazalet, £845.



Transcience, a screenprint by Aileen Quealy, £160.

FOOD AND DRINK

Châteaux owners face a variable '92 claret vintage

Edmund Penning-Rowsell goes to Bordeaux to assess the year in the vineyards

THE 1992 red Bordeaux vintage will almost certainly be variable. I cannot recall one more frustrating for château proprietors, less agreeable to witness or more uncomfortable for the pickers bent double between the muddy vine rows.

From September 28, when picking of the Cabernet-Sauvignon was generally due to start, there was heavy rain following a hot, humid August. By the end of September most of the earlier-ripening Merlot was in the fermentation vats and everywhere declared satisfactory. In two afternoons a good average crop was picked at Petrus: full-coloured and very fruity.

Later I tasted several vats of Merlot at Pavie and all had colour and fruit, though varying. A Merlot vintage will help St Emilion and Pomerol, badly hit in last year's frost. The Cabernets were not fully ripe and some growers panicked and picked early. The more sophisticated waited until the second week of October. Mouton-Rothschild recruited more than 800 pickers.

Twenty years ago these conditions, after a good flowering but a mixed summer, would have resulted in, at best, a moderate, irregular vintage, with a good deal of rot. Since, expertise in vineyard and cellars has advanced greatly, and the keys to success this year lay in spraying, summer pruning (*vendange verte*) limited yields and the elimination of unripe or rotten grapes.

Mouton-Rothschild spent double its budget for spraying, and Latour sprayed no fewer than 21 times instead of the normal 12. I saw truck fulls of healthy, sweet grapes in the cellars.

Thinning the bunches on the vine was almost unknown ten years ago, but this year Professor Pascal Ribereau-Gayon, head of Bordeaux University's oenological department said: "The great difference is between those who thinned and those who did not." Thinning is an expensive business which some said was as costly as the vintage itself.

Moueix, which owns or manages 12 properties, mostly in St. Emilion and Pomerol, employed 62 people for 25 days to perform this delicate task, and La Mission-Haut Brion 50 for more than two weeks. Yields were pared with more important châteaux making less wine around 45 to 50 hl per hectare. Ch Margaux produced only 38 hl per hectare – the lowest in recent years.

Although the overall quality of the vintage will not be clear until after the winter, and blends are made for the grand vin, it will surely be a saleable one so long as prices reflect the vintage's size, the existence of large stocks of unsold, unconsumed claret throughout the fine-wine drinking world, and the recession. Prices must be at least 10 per cent lower than the 1991's – and they were down by 15-20 per cent on the 1990's. Some Bordeaux merchants suggest that the first-growths, which set a broad scale of prices for lower levels, should come down from their 1991 FFr160 a bottle to FFr120 or even to FFr100, and leading seconds to FFr60-FFr50.

However, these can be no reason for consumers to buy the 1992 clarets en primeur. In a variable vintage we can afford to wait two years until the wines are in bottle.

There will be great pressure on all but the most popular growths and merchants to sell en primeur. They desperately need cash, especially after the relatively small, disparaged but undervalued 1991 vintage. One well established Bordeaux house that sold FFr20m of the 1990's en primeur disposed of only FFr1m of the 1991s.

Nevertheless, although the Bordeaux wine world is in difficulties, in the 12 months ending in August red Bordeaux sales were down only 4 per cent on the year, and total exports were actually 2 per cent up, although British imports were 4 per cent down, albeit 13 per cent up in value. The good news is that the 1992 dry whites are excellent, and the crop is the largest since 1979.

Full-bodied, eccentric and amusing. No, not a second-growth claret but Ralph Steadman's light-hearted look at the wine world in his newly-published book *The Grapes of Ralph* (Ebury Press £19.99, 224 pages). Steadman's highly inventive illustrations can be seen at the Royal Festival Hall Foyer Galleries, Level 5, until November 15

Eating out in Berlin

Why it pays to have catholic tastes

Giles MacDonogh samples the Bamberger Reiter

A GLANCE at the latest edition of the red Michelin guide to Germany quickly reveals the inequality: all those stars seem to have landed on the Roman Catholic parts of Germany: Bavaria, Baden and the Rhineland.

As you approach the old frontier between east and west stars disappear from view and the only gap in an otherwise dense cloud is west Berlin where you will find a modest tally of four one-star restaurants and even one two-star: Rockendorfs, which is, sadly, miles out in the sticks in Waldmannslust.

There may be few stars but there are plenty of places to eat. This profusion dates from the time when Berlin was a fun-loving island set in the grim eastern ocean.

People wanted to enjoy themselves often and it was more important that the restaurant was reasonably priced and lively than the chef should have had pretentions to haute cuisine.

There are still more restaurants in Berlin than in any other European city of comparable size; places representing pretty well every food culture under the sun.

The variety puts even London to shame. One night you will eat Italian; the next, Greek. The day after it is the turn of the Yugoslavs, the Spanish or the Argentinians, the Indians, the Chinese or the French.

There is a Kurdish restaurant in the Uhlandstrasse but given the plight of the poor Kurds I have never had the courage to try it. Naturally there are plenty of German places, most of them inspired by south German models.

In terms of typical Berlin food there is Hardtke in the Meineckestrasse (tel: 881-9827), if you feel like a mountainous *Eisbein* (pork knuckle) or a groaning *Schlachtteller* (a plate of sausages and pork cuts).

In the Mommsenstrasse there is even an east Prussian restaurant called Marjellchen (883-2676) where, after your *Königsberger Klopsen* (meatballs) or *Schlesisches Himmelreich* (meat-filled dumplings) you may soothe your stomach with a tot of Barenfang (literally bear-trapper) a honeyed liqueur schnaps which used to serve as central heating in that now vanished corner of Germany.

The one-star Bamberger Reiter in the Regensburgerstrasse no 7 (tel: 24 42 82) serves a refined modern cooking with some inspiration from south Germany and Austria. Dorothea Raneburger is Austrian and she is quite happy to tell you as much if you have not gleaned the fact from the indications on the menu and wine list.

The Bamberger Reiter is in a quiet leafy street in the centre of west Berlin. The restaurant is on the corner of Bambergerstrasse, hence the name alluding to the famous horseman in front of Bamberg Cathedral.

The restaurant is small and comfortable. Many of the diners appear to be regulars who are prepared to put up with fairly hefty prices to eat at one of the few top-class restaurants in Berlin. The menu is short with a couple of copious set menus; one with six courses, the other with seven and available only if the whole table takes it.

As a starter, some roast quails' breasts came with a chunk of buttery foie gras set on slices of marinated celeriac. This was rather more exciting than some marinated wild salmon where the chef had gone overboard with the limes in his vinaigrette. For a little over £10 a feuilletèe of foie gras and truffles on a bed of spinach was exceedingly generous given the amount of black truffles which had gone into it. A tomato consommé with a cottage cheese dumpling was another dish betraying Austrian influence.

Pigeon breasts are a house speciality. On the night I ate at the Bamberger Reiter they were dished up in savoy cabbage; a sign that the French cuisine rustique had also taken a grip of this Berlin chef.

Veal fillet was served with shitake mushrooms and a dauphinoise of potatoes. I was a little disappointed at the farmed mushrooms; especially when there were so many good wild mushrooms available in the shops.

The cheese was also a disappointment: everything had been stored too cold to ripen and there was nothing out of the ordinary. Perhaps this is yet another sign of Frau Raneburger's origins as cheese is one of the saddest areas of modern Austrian gastronomy, ruined by a combination of fussy state interference and obsessive pasteurisation.

Puddings are a better bet. There was a delicious apricot dumpling with a praline ice and some plum tart with vanilla ice; followed, as ever, by more petits fours than one might advisably eat.

The Bamberger Reiter has a good wine list which is particularly strong on Austria, with excellent Gruner Veltliners and Rieslings from the Wachau and Blaufränkisch red wines from the Burgenland.

Ordering Austrian wines is the way to Frau Radeburger's heart. At the end of the meal she came up beaming and gave us a glass of lovely (Austrian) apricot schnapps. Clearly, when it comes to eating out in Berlin, it pays to be catholic.

The Bamberger Reiter menus cost DM115 (£46) and DM155. A la carte you should assume at least £60 a head with decent wine. For half the price you can enjoy the Raneburgers' food in the bistro at the same address.

Appetisers

Weekend wine bargains

THIS IS the weekend to buy bottles from this year's winner of the WINE magazine Wine Merchant of the year title, Whitbread's Thresher/Wine Rack/Bottoms Up group of wine shops. They are offering a full 20 per cent off any 12 assorted bottles of wine or champagne, and 10 per cent off any six bought this weekend. Take advantage with their best lines such as fine Zind-Humbrecht Alsace whites, superior California Saintsbury Chardonnay and Pinot Noir, cliché-defying Spanish white Albariño Lagar de Cervera and Drappier champagne, which would come to £11.19 a bottle as part of a mixed dozen. *Jancis Robinson*

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Autumn is fast becoming the season of the international jet-setting chef.

Emile Jung, chef of the three-star Michelin restaurant Le Crocodile (tel: 88.32.13.02) in Strasbourg has just completed a two-week stint at Le Souffle, the restaurant at the InterContinental, Hyde Park (071-409 3131) and Michel Lorrain from the similarly rated A la Côte St-Jacques in Joigny (86.62.09.70) has just been at Le Meridien on Piccadilly (071-734-8000) to put the finishing touches to the menu on which he acts as consultant.

Hot on their heels comes Ken Hom to the Langham Hilton. He will be cooking there from November 6-15 but, such is Hom's popularity, that those keen to sample his individualistic style should book early on 071-636-1000. *Nicholas Lander.*

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The phrase "wine club" is often a euphemism for extra profit margin but the BACUP Wine Club was set up specifically to generate funds for charity. The British Association of Cancer United Patients provides support to cancer sufferers and their families. a long-serving wine merchant so appreciated BACUP's work during his illness that he instituted the BACUP wine Club, selling 10 different but reliable wines delivered by the dozen in aid of the celebrity sponsored charity. The prices are so reasonable that one almost has to double check that cases contain 12 and not six bottles. Just £31.35 will secure you 12 bottles of Sir Dirk Bogarde's favourite, a 1990 Côtes-du-Rhone, while a 1986 claret from the Côtes de Bourg is £46.75 a dozen. Delivery is free for five cases or more; £7.50 for smaller orders. For more information tel: 071-696-9003. *JR.*

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At the newly-opened Ransome's Dock restaurant in Battersea, south London (071-223-1611) there is a weekday set price lunch at £10.50 for three courses. Its Sunday brunch menu includes smoked haddock kedgeree (£4.50), roast duck with apple sauce (£8.50), lambburgers, rocket salad and chips for the children (£5.75) and treacle tart or baked apples (£2.95) as puddings. *NL.*

The fight for America's stomach

Nicholas Lander considers different US food lobbies

WHAT does the future hold for food in the US? Like the presidential election this is a three-cornered contest. Weighing in as the heavyweight, in terms of resources, clout and geographical spread, is the fast food movement. Its advance is remorseless reaching even the youngest generation; pre-packaged meals which your child can cook in the microwave and eat in front of the television.

The newcomer to the contest is represented by those who advocate dieting as a way of life. This group has become prominent in the fight against obesity. But it also has support from the neo-prohibitionist movement. The group manages to portray food and drink, especially alcohol, as the enemy. Backed by wealthy individuals and institutions, the group has bought considerable time on radio and television to proclaim its views.

Finally, somewhat battered but still fighting, is a group which has prospered significantly since the early 1960s when the US woke up to the potential pleasures of good food and wine. It consists of food producers, chefs and restaurant owners, wine makers and critics, food writers, farmers and the interested consumer.

Its figurehead, Julia Child, now aged 80, was recently in London. Child is as imposing now as she must have been in 1961 when she became America's first television cook. She has a ready smile and a sense of fun that belies her age and the gravity of her message. Today, Child believes, there are so many conflicting and confusing reports of what is good, or bad, to eat that Americans are in danger of associating nutrition with guilt and developing a genuine fear of food.

In the forthcoming contest it would be foolish to underestimate the mettle of Child and her younger disciples. It is far too simplistic to see her as just a successful cookery writer – her books have sold in millions all over the world – Child is also one of the co-founders of the American Institute of Wine and Food which, via demonstrations by professional chefs, seminars and a quarterly magazine, has established considerable support across the US.

Recession and increased state taxes on the California wine producers, the institute's biggest financial supporters, had weakened the institute but it has emerged rejuvenated after an organisational overhaul. Child seems confident about its future.

In an outline of the group's strategy she said it was important to acknowledge the dangers of excess, be it in alcohol or cream, and preach moderation. Secondly, she felt it was the institute's duty to bring the fun back into cooking and eating and, most importantly, Child hopes to see off the opposition by continuing to place a strong emphasis on educating people about food.

The masters degree in gastronomy which she has helped to establish at Boston University will, she hopes, be the first of many.

■ The American Institute of Wine and Food, Suite 700, 1550 Bryant Street, San Francisco, California, CA 94103, tel 415-255-3000, and now with a British chapter at 114, Marylebone Lane, London W1M 6HH, tel: 071-935 3503.

Julia Child: 6ft 2in tall and an imposing figure

FOOD & DRINK

Grand Hotel

Hobbling but still happy in Hong Kong's finest

Nicholas Lander puts the Mandarin to the test and comes up smiling

HOTEL INSPECTORS and travel writers are continually searching for new ways of putting the top hotels of the world to the test. Some years ago a Sunday paper sent reporters to London's most expensive hotels and demanded a manual typewriter at 2am.

My way of putting the Mandarin, Hong Kong to the test was more original, if slightly more painful. When I arrived on my first night I was having trouble walking owing to a ripped muscle. At 8.30 am the following morning I was lying in the doctor's office on the second floor of the hotel awaiting a miracle cure and the end to my distress.

The rest of that day was spent in a lonely but very comfortable bedroom looking out, when the rain allowed, at the Hong Kong Club and the hypnotic harbour. Early evening I was ready for a gentle stroll and immediately appreciated the Mandarin's two most coveted assets – its staff and the hotel lobby.

First, an assistant manager then a duty manager came to ask about my health. During the rest of my stay I was continually impressed by a level of service that managed to be prompt and professional, polite and yet friendly. The hotel's management structure – an Italian general manager, Chinese and European line management, including one Norwegian and the rest predominantly Chinese and Filipino – may be unusual but it is highly effective.

The lobby itself is not large, only 3,000 sq ft, with a raised area the same size comprising the Clipper Lounge, but it is THE place to view *le tout Hong Kong*. Conveniently located opposite the Star Ferry it is not only the entrance to the hotel but also a thoroughfare between Connaught and Chater Streets.

The lobby monitors those who have just come from Kowloon as they scurry to their offices in the Central District and many more who call in for a relaxed drink before the boat home. It is a canvas for the guests to decorate and I sat down and stared unashamedly.

The Mandarin – built in 1963 – is ancient by Hong Kong standards and, with only 25 floors, petite (the Crown Plaza nearby, soon to be the tallest building in Asia, boasts 78). Viewed from an incoming Star Ferry it looks squat, almost fat, but very secure.

These external characteristics are mirrored internally. When the Mandarin was built land in Hong Kong was less valuable than it is today and the internal walls, a generous 3ft thick, keep out the noise from neighbours and plumbing. However, they also preclude drastic change. In 1963 bidets and separate showers were unheard of and, although no five star hotel would be without them today, this internal solidity still precludes their introduction.

The Mandarin management seems acutely aware that its customer profile is changing. The quintessential Mandarin guest of the 1960s and 1970s was invariably a businessman who had time for all the hotel's services. Today's business traveller – younger and with less time – wants shortcuts not initially part of the hotel's makeup.

Hence the somewhat incongruous appearance among the Floris collection in the bathroom (sadly, no nailbrush) of a packet of soap flakes and an extendable drying line for those who cannot take advantage of one of attractions of travelling in the Far East – the laundry service. And there is still a 24 hour room service, although there is heated discussion among the hotel management as to whether an electric kettle and instant tea and coffee in the rooms would not go against the Mandarin tradition.

But in Hong Kong, with an indigenous population of 5.6m and 120,000 visitors a week, the bedrooms are only a small part of an hotel's raison d'etre. Everyone eats out, and the hotels have not turned their back on non-residents, as is so often the case in London, but instead have converted their restaurants, bars and public areas into bustling meeting places.

I never saw the Mandarin's Coffee Shop quiet or the Clipper Lounge without a small expectant queue. In its ten food and beverage outlets the hotel serves more than 3,000 meals a day. More than 60 per cent of the hotel's 960 staff are involved on this side of the operation and there is a tasteful attention to detail – even mundane morning cereal becomes a delight when served with fresh papaya. My only culinary disappointment was the hotel's Chinese restaurant, the Man Wah, in spite of its exciting close-up views of the Bank of China and Hongkong and Shanghai buildings.

I knew it was time to pack my bags when the Mandarin lobby began to work its magic on me. Walking out of the hotel's Business Centre I bumped into a friend from the North of England whom I see but once a year – at a wine weekend in the Highlands of Scotland.

■ The Mandarin, 5, Connaught Road, Central, tel 522-0111, fax 810-6190. Rooms from HK$2,000 plus sales tax and service.

Pretty in pastel: one of the Mandarin's bedrooms

Cookery/**Philippa Davenport**

Why it's time to get back to basics

BRITISH summer time ends tonight and winter officially begins. As the days draw in our need for comfort foods grows stronger. Now is the time to go back to our roots and enjoy the best of British.

My first recipe comes from Arabella Boxer's *Book of English Food* (Hodder & Stoughton £17.99), a captivating exploration and celebration of the flowering of English cooking in the 1920s and '30s. I rejoiced in this book when it was published last year. Just recently it has won Boxer, most deservedly, the Michael Smith Macallan award for fine writing about British food.

My second recipe is taken from a book to be published in paperback next week, Jennifer Brennan's *Curries and Bugles* (Penguin £12.99). An affectionate portrait of lives and foods of the British Raj, this volume, like Boxer's, is a well written blend of history, anecdote and recipes.

ROAST HAUNCH OF VENISON

(serves 8)

While young roe deer may not actually need marinading, in this recipe the marinade becomes part of the dish and forms the basis of the sauce.

5-6 lb haunch of roe (or fallow) deer; 6 tablespoons olive oil; about ¼ pt chicken stock; 1 teaspoon flour stirred into ½ pt soured cream.

For the marinade: 1 onion; 2 shallots; 2 garlic cloves; 1 large carrot; 1 celery stalk; 3 tablespoons olive oil; 1 bottle red wine; 3 large parsley sprigs; 8 black peppercorns; 8 juniper berries; 2 bay leaves.

Slice the marinade vegetables and cook them in the oil for five minutes, stirring now and then. Add the remaining marinade ingredients plus half a tablespoon of sea salt. Simmer, covered, for 45 minutes, then cool. Pour the (unstrained) marinade over the venison. Leave for one to two days in a cool place, turning the meat twice a day.

When ready, drain the haunch and dry it. Discard the marinade herbs and lay the sliced vegetables in the bottom of a roasting tin. Rub the haunch with 2 tablespoons olive oil and lay it on the vegetables.

Roast for 20 minutes at 425 F (220 C) gas mark 7. Reduce oven temperature to 350 F (180 C) gas mark 4 and roast for 20 minutes per pound in all. Once the meat has gone into the oven, warm ¼ pt of the strained marinade with 4 tablespoons olive oil. Once the oven heat has been reduced, start to baste the meat with this mixture.

When the joint has finished cooking, transfer it to a serving dish, cover loosely with foil and a thick towel and let it rest for 20 minutes before carving.

Now make the sauce. Process the vegetables from the roasting tin (except any that are burnt), adding the juices from the tin and some chicken stock – enough to make about ½ pt. Add the smoothly amalgamated sour cream mixture and process again. Strain and reheat, seasoning to taste and stirring constantly. Simmer for 3 to 4 minutes then pour the sauce into a heated jug, and serve with the venison and a puree of mixed root vegetables and some Brussels sprouts.

BRAISED VEAL IN THE MOGUL MANNER

(serves 8)

For the marinade: a boned shoulder of veal weighing about 5 lb; 6 oz plain yoghurt; 1 large onion, chopped; 2 inch ginger root, chopped; 1 garlic clove, smashed; a pinch of saffron soaked in 2 tablespoons warm milk; the zest of half a lemon.

For the stuffing and cooking: 4 tablespoons ghee or clarified butter; 6 oz long grain rice, washed and drained; 2 inch cinnamon stick; 4 cloves; 4 cardamom pods, crushed; ¼ teaspoon freshly grated nutmeg; ¼ teaspoon ground turmeric; 8 fl oz chicken stock; 2 oz sultanas; 4 oz shelled pistachios; 8 baby white onions; ¼ pt double cream; the juice of half a lemon; 2 tablespoons chopped parsley.

Lay the veal flat and cut a deep, horizontal pocket into the inside surface of the meat. Process the yoghurt, onion, ginger and garlic until smooth. Mix in the saffron and its liquid, the lemon zest, ½ teaspoon salt and ¼ teaspoon freshly ground black pepper. Turn the veal in the mixture and leave to marinate for at least six hours or overnight.

Meanwhile, prepare the stuffing. Saute the rice in 1 tablespoon ghee until the grains are white and opaque. Add the spices and stir for one minute. Add the stock, sultanas and half the nuts. Cover and simmer for 15 minutes or until all moisture is absorbed and the whole spices lie on the surface. Discard the cinnamon and cloves.

Drain the veal, reserving the marinade, and stuff the pocket with the rice. Lay any surplus in the middle of the piece of meat. Roll up the veal tightly and secure with string.

Lightly brown the joint in 2 tablespoons ghee in a flameproof casserole. Pour on the reserved marinade, cover and braise at 350 F (180 C) gas mark 4 for 2½ hours, or 25-30 minutes per pound of meat.

Twenty minutes before the veal is ready, place the onions round the meat. Cover and cook for 10 minutes. Remove the onions and keep warm. Cook the veal for a further 10 minutes without the lid.

Lift the veal on to a serving platter and keep it hot in the switched-off oven. Place the casserole over moderate heat and reduce the gravy until quite thick, stirring to prevent burning. Add the cream and stir over low heat until the sauce is the consistency of thick custard. Add the lemon juice, season and pour the sauce over the veal.

Crush the remaining pistachios. Saute them quickly in the last tablespoon of ghee and sprinkle them over the veal. Dip the onion tops in parsley to give them green caps. Set them round the meat and serve.

TRAVEL

Nuremberg: a town that hid its shadows

THE LADY at the hotel desk looked blank. "Where were the rallies held?" I asked again, "the Nuremberg rallies?" I felt like Basil Fawlty. I had vowed not to mention the second world war or Hitler, but had a dreadful feeling I was about to do so. Finally she flailed an arm crossly in an easterly direction – with a little coaching she could play Sybil Fawlty – and said something about a football stadium. Hopeless…

I had driven into Nuremberg on my way from Italy to Prague. I needed a stop-over and the road signs had stirred in me a terrible curiosity. Out there on the A-bahn, Wagner floated into my head – "O Nürnberg, die alte stadt" – and I fantasised a town full of wise old cobblers singing through mullioned windows. Then, with a change of octave, the music of evil took over, no less fascinating. This is the town where a madman licensed by 60m people barked down a banner-lined avenue while the world skidded towards Doomsday.

"Ze stadium, ja," said Fraulein Fawlty, seeming finally to understand. "Ze parkplatz!" She was still waving an arm at the non-mullioned window of my edge-of-town Novotel in a way that baffled me, so I decided to go for a walk and let my feet lead me. I followed a busy peripheral road that curved promisingly towards distant roofs and TV aerials. After 10 minutes I found a parking area to the left that I could cross towards the city.

But there was something suspicious about this space. A mile long by 70 yards wide, it was a large rectangle paved with concrete slabs, marked here and there with formal patterns. On either side, half-eaten by time and encroaching trees, were battered stone steps that suggested bygone spectator stands. A few equally battered cars and vans were parked at the edges of this giant avenue, beside which gypsies and *gastarbeiter* families were cooking meals.

Further down the avenue I saw the tell-tale signs. This *was* the site of the Nuremberg rallies, and after the shock of realisation I inwardly cheered the fact that it is now given over – by accident, if not design – to an undiscriminating inter-racial dereliction. What would that arch ethnic

Nigel Andrews searches for traces of an infamous past

cleanser think of all the non-Aryans now barbecuing their kebabs on his sanctum sanctorum?

Walking on towards the city, you see more evidence: the absurd and hideous Kongressbau building, a Nazi version of Rome's Colosseum (used today for little but pop concerts); further off, the Stadion, now changed from a meeting-place for the Hitler Youth into the HQ of Nuremberg Football Club; to the north, the ruins of the Zeppelinfeld, a time-warped collage of terraces and towers commemorating the glory that was Albert Speer.

The ghost of Hitler is everywhere in this bombastic shadowland. As Leni Riefenstahl's autobiography lately showed us, the Nuremberg rallies were Hollywood come to Bavaria. Sixty years ago she was here with her Fuhrer: camera in hand, purring up and down the giant steel flagpole in the hydraulic lift Speer had designed specially for her. The result, Riefenstahl's feature-length record of the Nuremberg rallies, *Triumph Of The Will*, is still the most chilling present any city ever had from a director working hand-in-glove with a dictator.

By now the casual visitor feels he has strayed into an episode of *The Twilight Zone*. How to return to reality? Crossing the Luitpoldhain, the city park dotted with further, more neatened remains of the Reich, I passed a big modern building with welcoming lights winking through small ground-floor windows. Ah, probably a hotel. I peered into one window. A dozen men and women in mediaeval dress were clinking goblets while a harpist strummed an instrument.

Still in *The Twilight Zone*. But I soon discovered that this was the Mastersingers Hall, where mediaeval gear is normal. Indeed, you would probably be thrown out if you did *not* come dressed as Eva, Sachs or Walther Von Stolzing. Not far away, if you are a stickler for the real thing, is the gothic church of St Martha which served as the original Mastersingers Hall.

By now I had had enough through-the-looking-glass experiences and was becoming interested in a through-the-restaurant-door experience. Nuremberg abounds in Bavarian eateries where steamy excess is the by-phrase. Meeting up with a German friend, I ate at a tavern where mein host piles one's plate with enough grilled meat to sink a U-boat. Sausages, chops, liver, kidneys, steaks, more sausages, all washed down with a large stein of cold Heineken.

Now it was mid-afternoon: time to see the Old Town. Nuremberg was badly bombed in January 1945, so much of the "Alte Stadt" serenaded by Hans Sachs has been restored or re-touched. This may explain its dinky feel. Contoured in little hills and dips with jewel-like Gothic churches nudging half-timbered houses, and the canal giving a winsome reflection to willow-lined mansions, it all seems too good to be true – like a theme park sector marked "Germanyland."

But there are real jewels here among the mock-ups. Albrecht Durer's house, authentic to the last exposed beam, leans invitingly at the edge of a picturesque square, requiring you to enter and admire Albrecht's taste in severe interior decor. His paintings are in another part of town at the German National Museum.

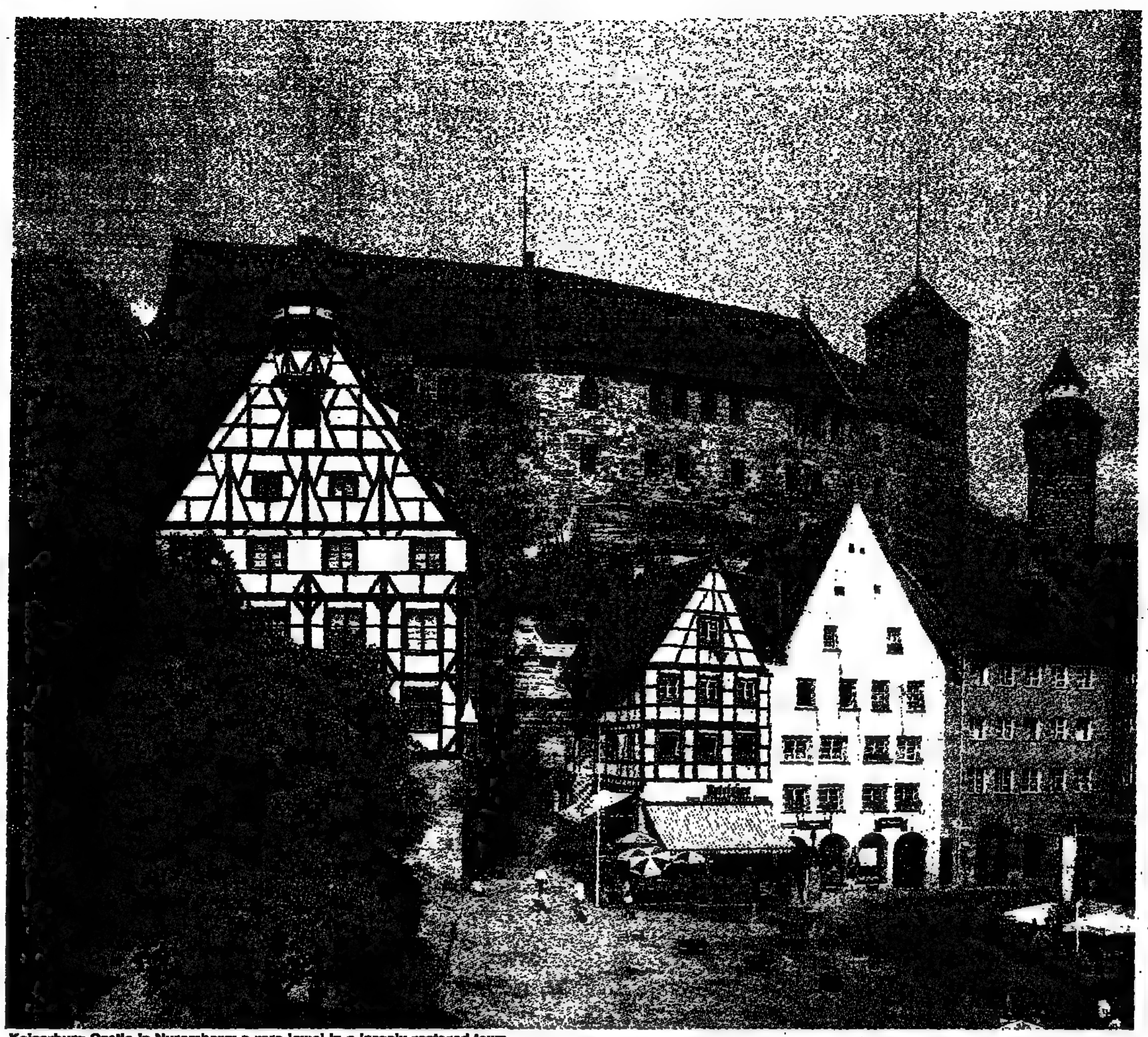
The Toy Museum is a Grade 1 disorientation experience. It transports you straight back to your childhood – or Germany's childhood – as you admire the gizmoes, follies and knick-knacks commemorating Nuremberg's history as, a guidebook tells me, the world capital of toy production. I especially enjoyed the toy horse that, when wound up, plays an excerpt from *Die Meistersinger* and then jumps over a large frog.

As for the churches, you must not miss the Frauenkirche and Saint Sebaldus. The first was originally commissioned as a court chapel by Emperor Charles IV, but was gussied up in the 16th century by the addition of a gable, an oriel and a charming tinkling clock-mechanismi. The older Saint Sebaldus houses a priceless cornucopia of carvings, sculptures and richly-wrought shrines.

Though I stayed at the Novotel, simply because it was there, my German friend swears by the Zirbelstube Hotel on the Ludwig Canal: very picturesque, he insists, with one of the best restaurants in town.

Finally, though, I have a few reservations about Nuremberg. No, it should not be missed, and yes, it is stuffed with sightseeing gems and relics of history. But too much of the town is sanitised in its presentation. You will not find the real Hans Sachs here: the old cobbler has fled to comfier, more mellifluous lands, far from the squawking Beckmessers of the tourist trade.

Perhaps worse, you will not find the real Hitler here. A town that should exist as an Awful Warning to those who come after has largely tidied away its Nazi past: aided by hotel-keepers who do not understand their guests and gipsy families who scarcely know what ground they so heroically desecrate. It is good to put evil out of our heads; but only so long as it can be brought back whenever humanity, especially in these neo-Nazi times, needs a sharp dose of memory therapy.



Kaiserburg Castle in Nuremberg: a rare jewel in a largely restored town

Along greenstone paths, through parakeet forests

Angela Wigglesworth treks through the Southern Alps in New Zealand

"That," said Peter, our guide, pointing to the roof of a hut high up the mountain ahead of us, "is where we will have lunch."

IT SEEMED unlikely, but Peter was confident. We had set out early one cold summer morning to drive to the start of the 40-kilometre Routeburn Track that crosses New Zealand's Aspiring and Fiordland national parks and was once used by the Maori in their search for greenstone.

We were three rather inexperienced trekkers getting the taste of the Routeburn Track in a two-day walk and returning each night to comfortable Homestay (bed and breakfast) accommodation in Queenstown, New Zealand's most popular holiday resort, on South Island.

The first day we planned to reach the Routeburn Falls hut at 975 metres and, if energetic enough, continue up to the Harris Saddle, the highest point (1,277m) on the track. Our group consisted of Ben Harris, a Rhode Island lawyer, his wife Anne, fleet of foot and always in the lead, myself and Peter, a knowledgeable and considerate guide who kept us going with coffee breaks, picnic lunches and water from the mountain streams.

"Every day is a good day when it doesn't rain," said Peter (it is a notoriously rainy area), as we set off alongside the Routeburn Gorge, the river foaming over the rocks, the forest green and lush with giant ferns and thick moss on the trunks of fallen trees. We crossed rivers and streams, one person at a time, on long, swaying wooden bridges, saw a yellow parakeet in the trees and bush robins at our feet.

Two hours later the path became rockier and steeper, the sun hotter, but by 12.30 we had reached the Falls hut, where some walkers stay the night. It had 30 bunks and cooking facilities. Pleased with ourselves at having got there, we sat on the verandah, ate lunch and enjoyed the view of mountain peaks covered in mid-summer snow.

Did we want to go on to the Harris Saddle? How could we not when we had come so far. White edelweiss, harebells, mountain daisies and snow tussock grass grew by the steep path, the bellbird sang its lovely song and in 90 minutes we reached Lake Harris, glittering blue and silver in the sun. Then it was on and up to the Harris Saddle with its fantastic views across the Hollyford Valley.

The following day we took a jet boat up the Dart River. "This," said Rod, the boat company manager, "is the most challenging river in New Zealand. Going up-stream, we give you the history of the area and the names of the mountains and then tell you to put your cameras away as we come down a bit fast (80kph) to a place that will really blow you away."

It's not how fast the boats go, he added, as we put on gloves, hats and life jackets; it's where they take you that makes the trip spectacular. Where Roger, our driver took us, after a spurt of speed to make us gasp, was aground on the dried-up river bed. "It's good it's not the same as always," said a cheerful German as Roger, embarrassed at his lack of navigational skills, had to piggy-back his six passengers on to the shingle while he got the boat started again.

Then, in 20kms, we climbed 150m, skimming past Mt Alfred and the Routeburn Valley into the heart of the Southern Alps. Black-backed gulls flew over the dark trees on the mountains that rose steeply from the water's edge.

We left the boat at a rocky chasm and set off through the bush to Lake Sylvan, which, said Peter, was an hour-and-a-half's easy stroll. It was not my idea of an easy stroll: we clambered over fallen tree trunks and had to watch our feet on the spongy, boggy moss. In early afternoon we reached Lake Sylvan, shimmering in hot sun. Geese and paradise ducks were on the water, shags on the far banks.

The walks had been organised by a small company called Outside Adventures owned by Richard and Elaine Bryant. Richard's great-grandfather came from Cornwall around 1862 and his family have been in the tourist business in New Zealand ever since. They offer tailor-made guided treks or one-day walks (one includes a return trip by helicopter) for those who do not have time to complete any of the famous treks but want to experience part of them.

Train and bus travel in New Zealand is much under-rated by New Zealanders. Bus drivers ("My name's John, I'm your steerologist") are jolly people who make jokes about the places you pass, deliver newspapers and mail, and are immensely helpful. Journeys are as sociable as you want them to be. My fellow travellers included a Japanese dry-cleaner who planned to be a farmer, an American couple in their late 70s who had just done the Milford track, a probation officer from Sheffield, and Gary, a young janitor from Louisiana.

Trains are comfortable, clean and punctual. I took a five-hour journey from Greymouth to Christchurch on the Trans Alpine Express, which has sheepskin-covered seats. We crossed spectacular gorges and went through 19 tunnels on the climb through the Southern Alps. Turquoise rivers ribboned across white river beds.

The Coastal Pacific Express, with many of the amenities of the Trans Alpine, goes up the east coast of South Island to Kaikoura, once a small fishing village, now famous for its whale-watching trips, and on to Blenheim and Picton for the inter-island ferry. We saw seals basking on the rocks in the blue sea.

Further north, near Blenheim, the centre of some of New Zealand's best vineyards, we passed the pink and blue lakes of the salt quarries and had a Devonshire cream tea at breakfast time.

■ *Angela Wigglesworth was a guest of the New Zealand Tourism Board (New Zealand House, Haymarket, London SW1Y 4TQ), and flew with Air New Zealand (77 Fulham Palace Rd, London W6 8JA). For information about tailor-made treks, contact Outside Adventures, PO Box 347, Queenstown, New Zealand, tel: 03-442-7126. The Homestay accommodation offers comfortable beds, good food and friendly hosts.*

SKIING

Making tracks: skiing in the high country of the Italian Dolomites

The dizzy heights of fashion

***Arnold Wilson** dodges the fur coats in the Dolomites' top resorts*

IN ALMOST any other ski resort, the shops would be full of ski hats and sweatshirts with the name of the town emblazoned on them. Nothing so vulgar in the Italian Dolomites resort of Cortina d'Ampezzo, where you cannot buy a hat with Cortina on it for love nor lire.

When I searched for one for my friend Nigel, so he could pretend he had been there, I was told politely that the shops in Cortina "simply didn't sell that kind of thing." The only possible place where I might find one, it was explained, was the Co-op. But not even it had anything so naff.

In Cortina a fur coat, not a ski hat, is the correct uniform. The resort makes Aspen, Colorado look like an amateur in the fur trade. Like a herd of mountain cats standing on their hind quarters, the furs come jostling down the Corso Italia, Cortina's main shopping street in waves – an endless stream of snug, smug, cosy opulence. Even customers at the Co-op wear them. But then this is no ordinary Co-op – how could it be in the most glittering pedestrian precinct in the Alps? Proprietors of even the most glitzy shops here do their window dressing and even sweep the pavements outside wearing furs.

Another trait in common with Aspen is that a surprising number of people come here not to ski, but to be *seen*. The slopes – unlike other Dolomite resorts close by – reflect this. The town may be crawling with party-goers by night – but where do they all go in the morning? I have rarely seen such little queueing at such a famous resort. Those who do ski often make a late start. Fine by me – all the more of the 140 kilometres of runs (served by 56 lifts) to enjoy.

Cortina, set in a spectacular mountain amphitheatre, is the most famous of the Dolomites resorts and indeed its local mountains – Tofane, Cristallo, Pompagagnon, Cinque Torri, Croda da Lago and the Tre Cime di Lavaredo – are prime examples of dolomite: the so-called *Dolomia Principales*. But in skiing terms Cortina, to the north east of the region, remains distanced from the rest of the Dolomites resorts because it is not part of the Sella Ronda, a circuit of spectacular scenery but bland skiing around the Sella massif.

The four-valley Sella Ronda circuit (Gardena, Fassa, Livinallongo and Badia) can be skied fairly comfortably (depending on queues) in a day. The circuit, which links the Sella, Pordoi, Campolongo and Gardena passes, comprises a number of small resorts including Colfosco, Corvara, Arraba (new cable car this year) and San Cassiano, all clustered round the huge Gruppo Sella mountain, sometimes referred to as Europe's version of Table Mountain.

It is a remarkably scenic route with more than 27 cable cars and bubble lifts, 80 or more chairlifts and 150 assorted drag lifts dotted around this hugely enjoyable ski circuit.

The word Dolomites is derived from the name of a French chemist and mineralogist called Deodat de Dolmieu who first described these mountains' unusual and beautiful rock formation in the late 1700s.

Apart from their unusual appearance – huge, often vertical monoliths of granite with jagged crags that punctuate the skyline, splashed red and pink as both sun and moon vie for attention – parts of the Dolomites have a complicated history.

Sandwiched between Austria and the vast Venetian plain, some of the mountain areas have found themselves in both camps and reflect the two cultures. Selva, for example (but not Cortina) has a strong traditional Austro-Hungarian influence. This makes possible the attractive prospect (in theory) of such healthy compromises as gluhwein parties at Italian prices – arguably the best of both worlds.

Much of the area was Austrian until the end of World War One and is still popular with German skiers. Most of the place names have German equivalents: Selva, for example, is also known as Wolkenstein, and the local language is Ladin.

The Dolomites cover a vast area, from Plan de Corones in the north to San Martino di Castrozza in the south, and from Bolzano in the west to Cortina in the east. Selva/Val Gardena is an early season venue for the "Ski Sunday" television cameras with its World Cup race from Ciampinoi down to Santa Cristina before Christmas. The run was the location for the best World Cup performance by a British skier in the northern hemisphere: Konrad Bartelski was second here in 1981.

Since last winter, Selva has been upgrading its lifts: the Dantercepies gondola has been modernised, the Fermeda chair is now a quad and a new two-seater chairlift connects Santa Cristina with Monte Pana.

On an even grander scale, the entire Dolomiti Superski region, which covers 38 resorts, can be skied on one lift pass. The area has an extraordinary number of lifts – 464, serving more than 1,000 kilometres of prepared pistes. And this year the pass is even valid in the Austrian regions of of Zell am See/Kaprun, the Gastein valley, Dachstein/Tauern, Schladming and Dachstein-Wesrt-Krippenstein. But be warned: refunds can only be given with a doctor's certificate, and even then only for injuries sustained while skiing!

■ Factfile: *Arnold Wilson's visit to the Dolomites was organised by Crystal Holidays, The Courtyard, Arlington Road, Surbiton, Surrey KT6 6BW (Tel: 081-399-5144).*

Prices for January 8 or 10 in Cortina start at £269 for bed and breakfast. Half board at Park Victoria (four star) £439. Scheduled flights, departing Saturdays, Heathrow-Venice. Prices at Chalet Melodie, Selva from £289, fully catered, including afternoon tea, and wine with dinner. Flights depart Sunday from Gatwick or Manchester to Verona. All transfer times around 2½ hours. Self-drive option will save up to £90 per person. Price of low season lift passes: Dolomiti Superski £95; Cortina only £93; Selva only £87. Special offer: £10 off lift pass prices in all Cortina accommodation and in Chalet Melodie only in Selva.

■ *On Saturday November 7, the Financial Times will publish Pink Snow: A guide to the world's Top 100 skiing resorts, featuring Arnold Wilson's authoritative assessments, backed by the views and comments of Financial Times readers. This unique guide will also cover ski wear and equipment, top chalets, a ski brochure round-up, Stuart Marshall's Fast Road to the Alps, and more.*

Whipping up a desert storm

IF YOU HAVE had enough of Tyrolean thigh-slapping and yet another fondue, why not book a *flight to Morocco? Seriously.* The Moroccan High Atlas have several metres of snow each winter – while the Alps bite their fingernails and pray, the *Moroccans are pulling* out the snowplows. Even in the steaming Marrakesh summer, Toubkal, the 4,200 metre prince of the Atlas, remains brilliant white above the fig tree orchards.

The Atlas cry out to be skied *but they do not make it easy:* this is ski-mountaineering country. You do not come to Morocco to carve easy Giant Slalom turns on well-tended pistes; the Atlas make you *earn* your skiing.

To get limbered up for the great adventure *there is a one* chair-lift resort at Oukaimeden, 40 km from Marrakesh. Chic Casablanca folk ski here – and surprisingly elegantly too. French skiers have come to Morocco for years, not for Oukaimeden, but for the virgin *slopes* beyond the pistes.

An alternative Haute Route has been pioneered through the High Atlas with the help of the local Berber people, who have become used to seeing their mules laden with skis. The mule is at the heart of *Moroccan skiing, and the flea-*bitten animals plod right up on to the snowfields.

"Snow is fine to look at," says one Berber shepherd, "but it's murder to shovel. I can't understand why you spend all this money on skiing – is it really that good?" The Berber has a point: your skis cost more than his house.

Twenty kilometres south of Oukaimeden and 1,000 metres higher, the mules hit the snowfields and the real slog begins. You have to haul yourself up the mountain. At first it is hellish. Skins are strapped to your skis, which give grip. Where the mountain pitches into ice walls you have to resort to rope and crampons. You reach the ridge swearing and sweating. It is all downhill from then on. Arabic coffee is brought out, the skins are packed away and the Moroccan guide points down a 1,500 metre flank of virgin snow. Life begins to look up. You take a first turn, then another. You are skiing a fall-line nobody has skied before. Solitude and serenity hits you between the eyes: to the west is a tapestry of green fields and beyond, floating up in castellated amber glory, is imperial Marrakesh. To the south and east is the Sahara, golden, never ending.

After a day's mountaineering and skiing a Moroccan mountain hut seems like the Savoy. The guide lights a juniper log *fire,* a *lamb casserole* is wolfed down and a Moorish blizzard whips up outside.

After five days of this cycle, morning climbs and afternoon skiing and nights around log fires learning Arabic stories, you drop down into forests of *helm-oak where black* bear and lynx live. It is world-class tree skiing. And the best of it is that there is no *rubbish strewn* over the mountain, no dictatorial ski patrols, nothing but empty beauty.

You meet up with the mules again at the head of the Ouki gorge. It is souk day in the village of Asni. Berber children tug at your skis; their fathers invite you to eat with them. lambs. After dinner you sleep like a baby on a narrow pine cot.

The next day you take a Mercedes taxi back to Marrakesh. You can now play golf on the Royal Marrakesh course without guilt, and ponder the jeweled skiing heaven of the Atlas.

■ *Factfile: Fly direct to Marrakesh on Royal Air Maroc, daily service (from London, Paris, Madrid). Accommodation in Marrakesh is at the luxurious Hotel de la Moumania. In the mountain villages stay with Berber families. Whilst skiing stay in the mountain huts of the Royal Moroccan Mountaineering Club. Cost of mule and guide for five days, about £100 a head. Further information: Ski Club of Great Britain (tel: 071-245-1033). Royal Morocco Tourist Office: 205 Regent Street, London, W1R 7DE (tel: 071-437-0073).*

Jonathon Ledgard

Plundering the 1970s for a little flare

*Light and fluid is the style for spring, says **Avril Groom**, decoder of catwalk messages*

AFTER THREE weeks of hype and hysteria at the international spring fashion collections there is one worry for the consumer: coping with the 1970s re-run. The headline-makers have been unwearable chiffon, hippy tunics and elephantine flares.

But media reaction is as extreme as the fashion shows, and it can be hard to pick out the message from the catwalk frippery. The message is nowhere near as frightening as the pictures make it seem. You do *not* have to don hippy beads and flared trousers, but the 1970s will be the big fashion theme next spring. You do *not* have to waft around in transparent layers, but lightness and fluidity will be the bywords.

The real master designers assimilate radical changes and render them at once creative and comprehensible. Armani, Montana, Chanel and Lacroix have made the change from tailoring to softness seamlessly.

The divisions which existed in the 1980s between glitzy tailoring and the torn black layers of the avant-garde are blurred. Now everyone does long, light layers – even Rei Kawakubo of Comme des Garçons. Its whole show was in lily-pale, "decoloured" fabrics.

Designers are united in replacing the tyranny of the label with a new softness and romanticism. The avant-garde view is that confident, modern women no longer need the body armour of a tailored jacket, although the cynical might argue that the new softness has happened because such a fait accompli is now the only way to part women from their cash.

Choosing the 1970s as inspiration has both advantages and a flaw. The original fashion arose out of changes in society and the "free spirit" mentality. In today's terms this means the freedom to go as far into this look as suits you – it is the generally fluid impression that counts, not how flared your loons are. The flaw is that, as fashion plunders its increasingly recent past for inspiration, the only people who think it new and exciting are too young to afford designer clothes. In the spirit of the 1970s, when recycling was last fashionable, the young will find it in thrift shops.

The rest of us just need to remember the general 1970s outline. Some original items stand the test of time. You are lucky if you have anything by Ossie Clark or Biba in your wardrobe, luckier yet if you can still get into it. Otherwise, look for ideas that embody the spirit while keeping it contemporary.

Take the military jacket. Christian Lacroix knows how to make it modern, keeping its shape crisp and confining historical references to contrasting details and teaming it with longline stretch knits or wide trousers, in vivid, clear colours or dazzling psychedelic prints.

So does Italian-backed, but British-trained and based, Rifat Ozbek, designer of the year, who makes it pirate-style as part of a historical South Seas fantasy involving ikat-printed stretch leggings or sarongs and gauzy blouses with deep lace edgings. This was one of Milan's best-received shows and Ozbek anticipates an increase in turnover from £7m to around £12m next year.

> *'Montana has no truck with hippies but explores one other rich seam — Africa'*

Karl Lagerfeld, who justifies his soubriquet of "Kaiser" by designing three collections a season in Paris, knows a thing or two about jackets. But at Chloé, whose new owners Dunhill have wooed him back after ten years' absence, he first succeeded with fragile, lace-trimmed dresses and he returns to these in playfully hippy guise, as pastel, narrow-shouldered, fluted tunics over long, fluted skirts or soft flares.

However, his own-label collection is mostly tailoring, pretty in an hourglass-curvy, redingote shape over a softly bias-cut chiffon skirt or skinny striped jersey. He saves his best for the discipline of Chanel where, amid rumours of falling sales, he makes every new trend look wearable. The military jacket is cropped above the waist to show off flared pants or jeans, classic tweed jackets are trimmed with a faded, 1940s-style print and the finale is all fresh white linen embroidered like cutwork tablecloths. Karl's little joke is Chanel Y-fronts – labels still rule for those prepared to pay for the privilege of that logo on their knickers.

Faded prints are everywhere, most often as flowers or soft checks on the new dress, gently bias-cut and high-waisted or seamed under the bust. Lacroix and Katharine Hamnett say it with flowers, Ghost layers it with floppy, dusty-shaded ruffled tunics and John Galliano layers it wildly in chiffon and old lace with uncommercial abandon.

Joker Jean-Paul Gaultier, who puts shirtsleeves on trousers and chest-wigs on women, wraps the dress in lace over skinny striped jersey and uses lace for wide-legged trouser-suits as another dimension in the transparency game.

And then there are those trousers. Flares only really convince at Claude Montana, who widens them out gently and makes them in such fluid silky knit they are almost liquid – perfect holiday evening pants. Montana has no truck with hippies but explores one other rich seam of inspiration – Africa. He tattoos tribal patterns in gold on to gentle, spice-coloured suede and refines his favourite safari-jacket shape into simple soft curves.

The safari theme, in languid colonial guise, is followed strongly by London designers Arabella Pollen, Ally Capellino and Jasper Conran. London also produces the best alternative to trousers, the long, full skirt. In white linen with Prince of Wales check jacket at Roland Klein or in broderie anglaise with curvy denim at John Richmond it loses any nostalgia. At Vivienne Westwood, with a curvy peplumed jacket it smacks of the elegant New Look.

For evening it blooms into bold monochrome stripes, spots or checks and, in Paris, into faded satin from Westwood and extraordinary confections of metallic net from Romeo Gigli. In every case, only the simplest wisp of top goes with it. For sophisticates, the long sarong is less ingénue, in subtle Indian-print, sequinned chiffon from Armani, in shimmery muted dévoré velvet at Conran. Both fabrics are 1970s inspired but, like all the best of spring's designs, they whisper it rather than shout.


CHLOÉ

OZBEK



CONRAN


MONTANA


CHANEL


LACROIX


GALLIANO

BOOKS

Penned by a very private poet

Anthony Curtis discovers another side to Larkin

WHEN C.P. Snow reviewed *The Oxford Book of Twentieth Century English Verse* on this page in 1973, he wrote: "In *making his collection, so deliberately*, so generously, Mr Larkin has shown magnanimity and courage, two of the greatest virtues." These are not the virtues likely to strike anyone who read the extracts from this new book that appeared in advance of publication.

His fellow-poets are frequently described with a scurrilous, *fulminating, table-banging*, saloon-bar offensiveness that soon palls. These continual eruptions are the kind of thing many of us indulge in from time to time in private. They often involve crude nicknames and not very funny racist jokes about people in our circle. For example, of a woman poet who had just been given the Somerset Maugham award Larkin writes to a friend: "What do you think of ... getting four hundred nicker to go and get stuffed in

SELECTED LETTERS OF PHILIP LARKIN 1940-1985
edited by Anthony Thwaite
Faber & Faber, £20 791 pages

Wopland?" Remarks of this kind are intended, surely, to be both ephemeral and strictly private. It does seem extraordinary that, while many of the people to whom they refer are still living, they should all have been now made public.

Numerically only about one third of the letters are of this kind. They are the ones to the group of intimate friends whom Larkin has known since school and undergraduate days at Oxford, with Robert Conquest joining it later. Unlike Larkin, many of these people went on to a spell of active service in the forces and after that to make their marks in the wider world outside of academic life.

The hairy chest that Larkin wears *so inexorably* when writing to them, with intermittently lewd references to the pornographic magazines he has been reading, seems like a determined effort to remain on terms with them and to preserve the rebellious camaraderie of the original undergraduate brotherhood long after it had ceased to be a reality. He probably felt defensive about his own war as a forces reject, having been graded C3 on account of his stammer, an affliction that interestingly disappeared on the death of his *father. It led in 1943 to Larkin* taking up the "reserved occupation" (for someone in that *category in wartime) of librari*anship, a profession where he remained for the rest of his life. He became the University Librarian at Hull from where the majority of the letters are written.

Larkin was one of those old-fashioned people who are reluctant to pick up a telephone when a letter will do just as well. In consequence the editor of the volume, Anthony Thwaite, Larkin's executor, had an enormous haul to choose from and he has given many examples of Lar*kin writing not only to his old* Oxford chums but to anyone who encroached upon his life briefly or permanently.

There are some fascinating unmawkish letters to the women friends he made after he left Oxford, especially to Monica Jones, a lecturer in English, to whom Larkin wrote what are some of the the nearest items in the book to love-letters. Their affair, like so many of Larkin's relationships, seemed positively to thrive on distance and separation. We *learn that he* used to go regularly on summer holidays with her. Letters to publishers form *another group, and letters to* the people who wrote to him out of the blue – aspiring poets and admirers – yet another.

As one ploughs through the whole – the volume is best read in small doses – Snow's view of Larkin's salient qualities begins to appear slightly less inappropriate to Larkin the correspondent. There *is* a dogged courage in his perpetual refusal to budge – both to budge in a geographical sense away from Hull, except for some extraordinary occasion, *and his similar refusal to* budge in order to get on in the literary world, to be in the slightest bit pushy about his work. His career grew through ever wider recognition from critics and readers without any of those adventitious boosts from the hype-machine that jack-up lesser talents. His eventual South Bank Show accolade gave him a public presence that he had always affected to despise.

Several letters to his chief editor at Faber, Charles Monteith, *show that though Larkin* was unconscionably slow at delivering the manuscript of a new volume – *a 10 year-gap* was his usual interval between books – he could be a tough negotiator when it came to the fine print in the contract. Larkin was indeed his father's son – Pop Larkin was a formidable administrator, Town Clerk of Coventry. When Philip Larkin was penning business letters in a professional capacity on publishing or library matters he was nobody's fool.

Larkin's magnanimity is well hidden behind the wall he puts up to guard his privacy and creativity, but some of it is certainly to be found in his tactful, supportive handling of Barbara Pym after *her* novel had been turned down by Cape, her publisher for many years. Larkin admired her novels and had written spontaneously to tell her so. Her side of this correspondence was given in her sister's book, *A Very Private Eye*. What is remarkable from Larkin's side is the manner in which, though he is full of kind words to alleviate her misery, he does not abate one jot the force of his penetrating criticism of her work.

Those who see the essential Larkin in the poem "Dockery and Son" – a meditation by a middle-aged bachelor returning to his old Oxford college – will be interested in Larkin's confession to Monica Jones in 1966: "I shall spend the rest of my life trying to get away from that poem". This whole volume prompts one to say that he never really succeeded; but the final answer to that central question will have to await the appearance of Andrew Motion's biography of Larkin. This book has set the scene for it fully, indeed in far too great an abundance of trivial everyday utterances.

A very inside job

THE DEDICATION to this book almost says it all: "To the most magnificent, Baroness Thatcher of Kesteven, Prime Minister of Great Britain *1979-1990, from one of her* many servants, who believes she could have been better served."

Alistair (now *Lord*) McAlpine was treasurer of the Conservative Party from 1975-1990 and deputy chairman from 1979-83. In other words, he served Mrs Thatcher longer and more faithfully than practically anyone else. Clearly he wishes that she was still prime minister.

McAlpine has had a simple, if mannered idea. He thinks that Machiavelli was not machiavellian enough. Instead of writing a book advising the Prince how to behave, he *should have concentrated on* giving advice to the Prince's servant – or possibly servants: *it is not obvious how many of* them there can be at the same time.

McAlpine was the servant *par excellence*. Of independent means and well-connected, he never had to worry much about his own position. But even with assets like those, you cannot succeed by merit alone. You need a Prince, who must be perfect, and an Idea which embodies the Prince's aims and ambitions for the people. The Servant merely does the dirty work, much of it behind the scenes, while trying to keep his hands reasonably clean, at least in public.

Mrs Thatcher was the Prince. The Idea was – well, this is not exactly explained. Presumably it was what Mrs *Thatcher wanted for* Britain. No specific policies, indeed no specific persons are mentioned. *The Servant* is simply a hand-

THE SERVANT
by Alistair McAlpine
Faber and Faber, £11.99, 98 pages

book of how to behave.

Some of it is mildly amusing. Certainly it is much more elegant than (say) the memoirs of another servant, Bernard Ingham, who was Mrs Thatcher's press secretary. Where Ingham tells you in some detail how the news was managed, McAlpine merely observes that "timing is crucial and must be carefully studied...When something objectionable has to be done, the Servant will want as little public reaction as possible...The Servant needs to choose a day when there is plenty of other news...He may even find it convenient to create other news as a diversion."

McAlpine must be smiling at the handling by Downing Street of some current events, for obviously servants are not what they used to be.

For the rest MaAlpine outlines a number of principles that were successfully practised during the Thatcher era. For example, "if you propose to destroy a possible enemy, do so by promoting him." Again, "having encouraged a man to behave like a noble, a hint to his colleagues that it would not be against the Prince's will if he were destroyed will cause them to tear him apart." And, of course, the point about meetings is that "what needs to be done must have been dealt with before the meeting begins." The fascination of the book lies in the fitting the real scenes to the theoretical advice. It is a very inside job; the Servant wore gloves throughout.

Malcolm Rutherford

Hardy to the life

THOMAS HARDY has shaped our view of England. Although he was a careful researcher, the Wessex of his *novels was always more imagi*nary than historical, a fiction pieced together from memories of childhood and from stories of the heroic pre-railway days when the people of the coast lived under fear of a French invasion. Hardy broke for ever the *townsman's idyll of simple* happy country folk enjoying uneventful stress-free lives far from the madding crowd. Any Dorset village, with its loves, its jealousies, and its passions of revenge, its acts of arson, its murders and its hangings, *could be a setting for tragedy* as universal as ancient Thebes was for Sophocles.

There are several biogra*phies of Hardy*, including one designed by himself as he prepared for the immortality which he knew awaited him. F.B. Pinion, in *Thomas Hardy, His Life and Friends*, distances himself from the extravagant tradition. His book sticks closely *to the known facts*, which he sets down in chronological order, the important and the trivial, with a minimum of explanation or speculation. Pinnion's main interest is to relate episodes in the novels (which he assumes the reader knows well) *to real life* incidents. He has a strong sense of place and provides detailed

THOMAS HARDY, HIS LIFE AND FRIENDS
by F. B. Pinnion
Macmillan, £45 438 pages

maps of the localities that fed the novelist's imagination.

His book is accurate and comprehensive, but the style is flat and occasionally awkward. The few explanations that he ventures (for example that Hardy and the first Mrs Hardy would have got on better if they had had children) are timid, conventional, and unrelated to a considered view of Hardy's developing character.

I particularly enjoyed the accounts of how Hardy's friends and editors tried to purge his stories of the very qualities which give them their power and their truth – the political correctness of the time. In one story Hardy was persuaded to change the time of his lovers' meetings from a Sunday to a Saturday. Leslie Stephen succeeded in removing an encounter from a churchyard, objecting to the use of the word "amorous." The *Spectator* damned one story for daring to suggest that "an unmarried lady owning an estate could have an illegitimate child." No wonder Hardy refused a knighthood.

William St Clair

Fiction

Ghost story turned parable

DAN JACOBSON'S new novel appears, at first glance, to be a simple fable, set in a re-invented European past, where the known order is reversed, and the Christians (or "Christers", in Jacobson's deliberate blurring of historical nomenclature) are the minority in every middle-European village, their customs barely known and even less understood. Kobus the Bookbinder is nearing death and, as age fingers him (the description of the effects of age is one of the striking felicities of this most humane of books), he is visited by what appear to be gentle ghosts.

Two small children, appear in his house, *quietly playing*. Dressed in "Christer" garb, they continue to reappear, tormenting him with their quiet, inexorable presence, otherwise completely unthreatening. It is the realisation of who these Kindly Ones are which leads Kobus to a complete re-exami-

THE GOD-FEARER
by Dan Jacobson
Bloomsbury, £13.99 159 pages

nation of his morally threadbare life and, at the end, to some gesture towards expiation, resolution and peace.

"Unspent possibilities, lives denied, stories never told, never taken, soul forever *houseless, hopes foregone:* existing only in the perpetual present of what never was and never would be". They are the legacy, the unborn children or grandchildren of a Christer girl whom once, in his youth, Kobus failed to help, as she was on trial for witchcraft.

The story of Kobus's friend Malachi, who became a religious fanatic after a period of madness which was alleged by

Dan Jacobson

gossip and rumour to have been caused by *Sannie* the Christer girl, is another strand in this novel which, starting as fable, widens *to* become a stern moral appraisal of prejudice, weakness, political expediency. *It has* particular relevance for the disintegrating certainties of today's Europe.

What starts as a mere ghost story is transformed by Jacobson into a multi-layered parable: the simple outline is given the weight of legend and the breadth conferred by modern psychoanalytical knowledge. At the same time, the reader is carried along by the power of the story-telling.

Jacobson is one writer who has always known that if you want get the message across, you have to have a good tale to tell, and, in this novel, he has more than one good tale: narratives which, in their simplicity, grip and focus the attention.

By playing fast and loose with historical accuracy, Jacobson raises the endless, essential question, "What if it *had been us and not them..?*" and, by raising it, calls for tolerance, understanding, courage to speak up. There are also dream sequences which have a visionary quality of such power that one is reminded of Bunyan. And at the core of the book is the crucial point at which Kobus fails to give evidence to support the poor child accused of witchcraft. He has evaded the one moment when he could have made something of his life and he has to wait futilely until the child-Furies catch up with *him* before realising it. Only then does he understand the relief that the Kindly Ones can bring.

This novel is Jacobson at his most forthright and thought-provoking as well as at the height of his stylistic powers.

Mary Hope

Obsessed with truth and falsity

A.C. Grayling reviews an unreasonable book

WESTERN civilisation is in crisis, *says* John Ralston Saul, because we believe in reason. We live in thrall to a Utopian ideal of rational society, first mooted by Enlightenment thinkers in the 18th century; but the result, contrary to Voltaire's hopes, has not liberated humanity but enslaved it to a bureaucratic corporatism which stumbles, unconstrained by moral purpose, from one disaster to another.

Saul's thesis is that Enlightenment philosophers sought to rescue people from the arbitrariness of royal or priestly power and to replace it by the rule by reason. But their dream collapsed because of reason's own limitations. All that happened was an increase *in influence of technical elites*. The world, in short, became the fiefdom of managers. Own*ers of capital do not control* capital; voters do not control politics; everything is run by managers who alone know how to manipulate the structural complexities of society. And the managers' goals – profits, election victories – are not shaped by morality.

This technocratic corporatism applies as much to the recently-collapsed Eastern bloc as it does to the West. Indeed the East-West distinction, like that between Left and Right, is not a real distinction at all, Saul argues, but a fiction of the managerial strategy by which the Age of Reason sustains itself.

Simply by listing the problems of contemporary civilisation anyone can make telling *points. Saul does so eloquently* enough. Politicians, he reminds us, get away with speaking literal nonsense because what counts is the manner, not the content, of their utterances. Governments brazenly continue despite their failures, because the concept of responsibility no longer applies. Television, advertising and the worship of artificial heroes like soap-opera stars blind people to the world pre*dicament*.

These phenomena and many besides, are symptoms of deep malaise. Worse still are such examples as the arms trade, encouraged by governments which make pious pronouncements about peace and freedom, but which subvert both by their participation in gunrunning. And this is only part of a story in which military establishments flourish, drunk on obsessions with management and technology; and in which most parts of the world are perennially engulfed in war.

Although Saul's compen-

VOLTAIRE'S BASTARDS
by John Ralston Saul
Sinclair-Stevenson, £20 640 pages

dium of problems contains nothing new, his restatement *of them serves to keep us alert*. But he misdiagnoses the source of the problems, and has an unfortunate propensity to overstate them: with the result that his book quickly becomes tiresome and implausible – tiresome because of its monotone of complaint and disparagement, and implausible because it lays all the blame on one ill-defined abstraction, "reason".

At first Saul claims that reason cannot be defined, and then proceeds to define it. Reason is, he says, an obsession with truth and falsity. It is also an obsession with efficiency. It expresses itself in "control of *structures" and as the tech*nique of finding "simple and absolute" solutions to prob*lems. It is essentially techno*cratic. Worst of all it is amoral and blind. This is illustrated by the fact that "the murder of six million Jews was a perfectly rational act." It has led to managers, corporatism, and almost everything objectionable in recent history.

These claims are of a piece with much of Saul's discussion, *which is too often superficial* and general. His chief mistake is to blame an abstraction: his *second is anyway to* misunderstand its nature. Blame for the world problems rests not with a concept but with people. Reason is merely an instrument which, correctly employed, helps people draw inferences from given premisses without inconsistency. Choosing sound premises is what matters, and it is solely a human responsibility. Blaming "reason" is as meaningful as blaming "memory" or "perception". It was the racism of Nazis, not the logic they applied to put their hatred into effect, which caused the Holocaust.

Can Saul mean that the use of reason is bad without qualification? I imagine him at *a word-processor, answering* the telephone, taking antibiotics for his sore throat, *flipping switches to get* warmth and light as cold night falls. Are all these products of reason contemptible?

The muddle in Saul's thinking appears when we examine his alternative. Early on he says the opponent of reason is "reasonableness", which "practical humanists" like Jefferson had. This is mere word-play, if not contradiction. But at the end of the book we get a list of virtues to put in reason's place. They are "spirit, appetite, faith, emotion, intuition, will, experience". One immediately *notes that all* but the last, if ungoverned by reason, are exactly the stuff which *fuels fanaticism* and holy wars. Here lies the poverty of Saul's account.

Indeed *for all that* Saul's book is long and amazingly eclectic, ranging from potted histories of Renaissance art to accounts of nights spent in the desert with guerillas (the relevance to the main theme is often opaque), it says very little.

Cinema all in the can

THE SECOND volume *of Michael Powell's* autobiography comes to us from beyond the grave. The British film-maker died in 1990 after dictating these 600 pages, or a draft thereof, to his wife the film editor Thelma Schoonmaker. (His eyesight had become too poor to write or type.) She then edited them into shape, which must have been as daunting a task as her work on *Raging Bull* or *GoodFellas*.

Yet the result is a wonder. All Powell's impishness and irony are preserved; all his flashes of absurdist wit at the expense of Korda or Selznick; and all his rosy-cheeked *ebullience. For this was not* only the gallows romantic who made *A Matter Of Life And Death*, *The Red Shoes* and *Peeping Tom*, he was also the only film-maker I ever met who tried to make everyone else go into films. "Why aren't you making a movie?" he would cry whenever *I* met *him*, practically *pushing* a camera into my hand.

Million-Dollar Movie begins in the late 1940s, as Powell's own creative high noon was turning to late afternoon. Yet tales of filming such accident-prone works as *The Elusive Pimpernel* (famous sneezing sequence), *Gone To Earth* (Jennifer Jones with Shropshire accent) and *Ill Met By Moonlight* are enlivened by an awareness of the corporate madness that cinema can be as well *as by a willingness to take* the can himself when he thought he was responsible for a failure.

He was certainly responsible for one startling success: the now classic British horror film *Peeping Tom*. Powell is very funny on the scandalised press reaction at the time (1959, pre-*Psycho*).

The movie, he records, "was an insult to the film business, it out-cocked even Hitchcock, in fact it was all cock. What should be done with a film like

MILLION-DOLLAR MOVIE
by Michael Powell
Heinemann, £20 601 pages

this? It should be flushed down the water closet, with every responsible critic in London gleefully hanging on the chain."

It almost was. But even then Powell preserved his *bonhomie. He carried on* making films (*They're A Weird Mob, Age Of Consent*) or planning them (James Mason in *The Tempest*). And he created this magnificent *double-decker memoir*, which tells us all about cinema from the sublime to the ridiculous and back again.

Nigel Andrews

Filmmaker Michael Powell

Renko comes in from the cold

RENKO is back, Arkady Renko, the Rus*sian detective from* Gorky Park and Polar Star. He was in Siberia, fans will recall, after serving a spell in a psychiatric hospital as an enemy of the state. But times have changed, especially in Russia. Renko has been retrieved from Siberia and restored to his old job as a special investigator. He is back in Moscow again, back *in* Red Square, on the eve of last year's abortive political coup.

Not that Renko knows anything about politics, or any of that. He is far more interested in Moscow's black market: the illicit trade in Marlboros, porn videos, spare parts, you name it, that is conducted nightly at various unspecified locations along the city's ring road. In particular he is interested in finding the killer of Rudy Rosen, a market operator whose car blew to bits one night, with Rosen still inside it.

Who murdered Rosen, and why? One of the city's Mafia gangs no doubt, but which of the many? And how will Renko nail them, when not one of the hundreds of witnesses to the killing ever saw a thing?

RED SQUARE
by Martin Cruz Smith
Harvill, £14.99 431 pages

The trail begins in Moscow – a city seething with discontent, immediately prior to the coup – and leads from there to Munich and Berlin, where Renko is reunited with ex-girlfriend Irina, now a dissident newsreader on Radio Liberty. He visits a German sex club *en route*, and witnesses the death of an American contact, killed the same way as Rosen, before returning at length to Mother Russia. There he catches up with his villains against a *backdrop of tanks with flowers* in their barrels and Boris Yeltsin defending Moscow's "White House" against all comers.

It's a splendid story, full of atmosphere, packed with the everyday details of Muscovite life that are Martin Cruz Smith's trademark. The details in fact are rather stronger than the plot as a whole, and the story has been cheerfully padded in places to make for a bigger book. But character has always been as important as plot to Cruz Smith, and he is in his element describing the arcane workings of the Soviet system. He has created a thoroughly believable detective in Renko, a character much more in the tradition of Tolstoy's Levin or Dostoevsky's Petrovitch than, say, Holmes or Sam Spade.

Nicholas Best

Sponsorship

The feel-good factor keeps cash flowing

***Antony Thorncroft** looks at how the arts are coping with recession*

ARTS sponsorship was one of the great growth industries of the 1980s. At the start of that decade corporate funding of the arts in the UK was estimated at £6m. In 1991 the Association for Business Sponsorship of the Arts, in the first fully researched survey of the field, came up with an investment of £57m. Even with the recession tightening its grip, Colin Tweedy, director general of ABSA, expects arts sponsorship this year to be *around 10 per cent higher*.

But, in recent months, many arts organisations, which have come to rely on corporate support for a vital part of their income, are finding it much more difficult to persuade existing sponsors to increase, or extend, their support, and to attract new backers. This is the time of year when marketing budgets are fixed for 1993 and while there are few instances of sponsors withdrawing from their commitments (except when, like British & Commonwealth or *Olympia & York, they go bust*), there are even fewer examples of companies increasing their sponsorship spend.

An odd situation has developed. While the figures seem to show that sponsorship is still in good heart – there has been a 16 per cent increase this year in applications for the £4m. cash in the Business Sponsorship Incentive Scheme, the Government pump priming money designed to stimulate new sponsorships – the development officers in arts companies are finding it very hard to tie down sponsors for next year. They are worried that the experience of BP may become typical.

BP was one of the biggest sponsor of the arts in the UK, with a budget last year of £1.2m. Now , beset by financial problems, it is cutting back. It feels that while it is sacking 10 per cent of its workforce it cannot be seen to be helping external arts companies.

It is honouring its commitments – to the re-hangs at the Tate Gallery, to the annual portrait award at the National Portrait Gallery, to the Cardiff Singer of the Year competition, *but when its sponsorships* come to an end, like the BP Arts Journalism Award, and the BP Speak a Poem competition, it is not renewing, and it is taking on no new events. By next year BP's expenditure will be £750,000 and falling.

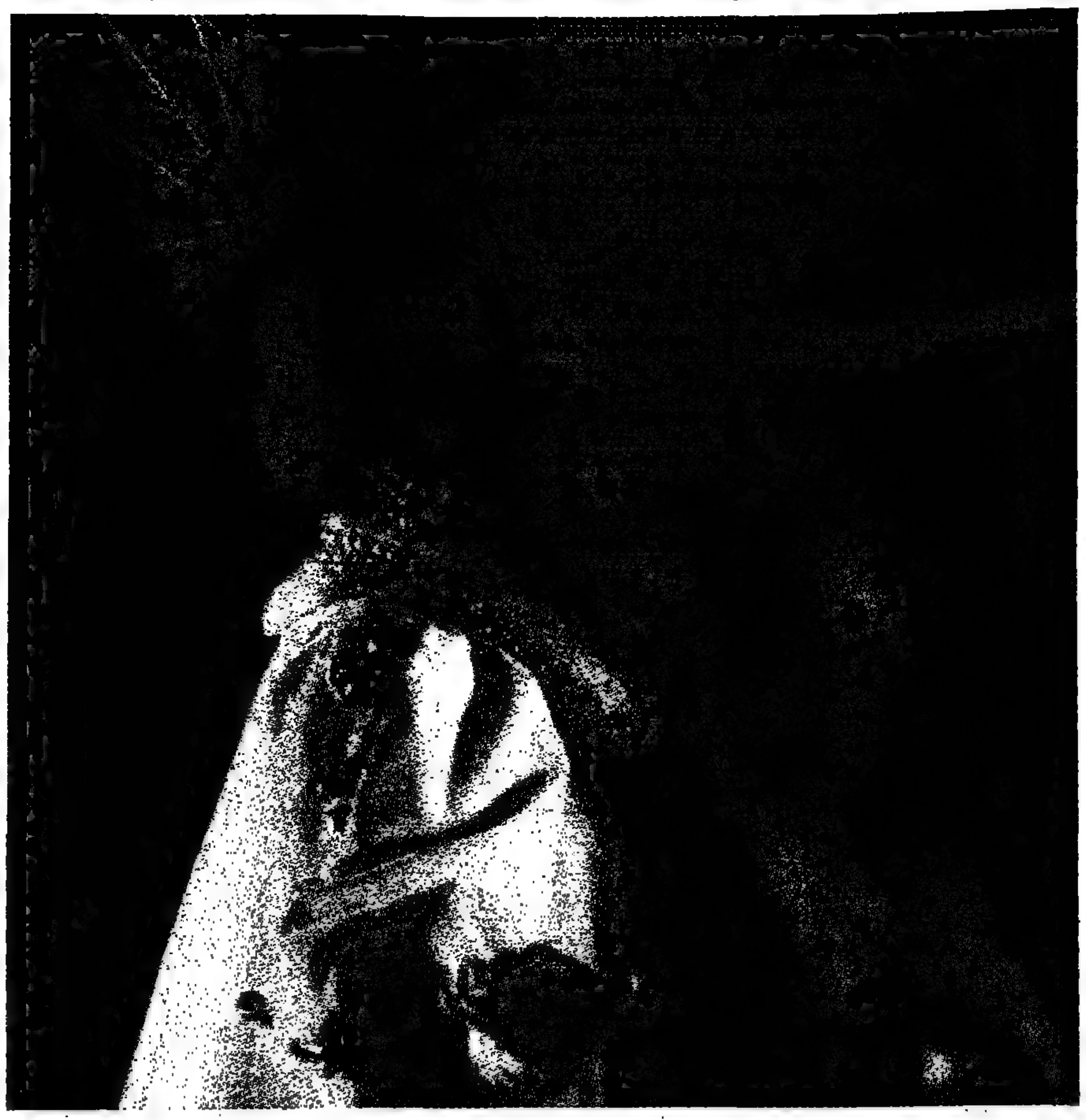
BP belongs to that group of companies – in oil, property, the banks, and insurance companies – who are suffering badly at the moment and who were also traditionally keen sponsors. Fortunately there are *still small and medium sized* companies experimenting with arts sponsorship for the first time and Colin Tweedy is bold enough to predict that even in 1993 sponsorship spending will rise slightly.

It may well be a different kind of sponsorship. Traditionally the arts could sell itself to business under one, or all, of four counts. Backing the arts offered excellent hospitality opportunities; it was good marketing, ideal for getting a corporate or brand image across; it displayed a sense of responsibility to the community and the nation; and it was also a charitable act, a good deed in a naughty world.

In the current economic climate companies are much more hard-headed. Some, notably Digital, IBM, and Lloyds Bank, set targets and evaluate the effect of their sponsorship money. Digital has perhaps made the greatest commitment to sponsorship as a marketing tool, preferring it to conventional advertising. It began in 1986 by focusing on dance. As a fairly new computer company in the UK it highlighted 8,000 potential buyers for its *systems. In six years it has* invited 6,000 of them to one of its sponsored dance evenings where it can put down social roots, to be built on later with business presentations. Geoff Shingles, chairman of Digital, says: "I reckon it has worked out at around £1,000 a contact".

Digital has added theatre and fine art to its sponsorship portfolio and, through its backing of tours by the European Community Youth Orchestra, has used the arts to pioneer business links in Eastern as well as Western Europe. It is *now reviewing its links with* the ECYO, in which it will have invested £2.5m over six years. Its belief that the arts offers an excellent marketing opportunity remains firm and it is looking for a new international sponsorship. Digital has doubled its market share in the UK in the last decade.

Obviously using the cultural and social caché of the arts for entertaining business contacts is a big attraction for sponsors. Glyndebourne, and the Royal Academy, which receive no subsidy, thrive through their success at selling themselves to companies as desirable meeting points. Glyndebourne has raised £30m. for its new theatre largely from business, and although the RA is finding that sponsors are less willing to offer the full guarantee against loss on its exhibitions which it has secured in the past, it is slowly finding backers for its 1993 shows. Typically Republic National Bank of New York, which is sponsoring next months Sickert exhibition at the RA, is as much interested in its opening party as promoting a retrospective on the Camden Town School artist.



Opera North's production of Orpheus in the Underworld sponsored by English Estates

Companies are aware of the antagonism which follows if directors are seen to be the main beneficiaries of arts sponsorship. Entertaining at an art exhibition, or at a concert where the staff enjoy discounts on tickets, is still acceptable but corporate membership schemes, which accounted for around £12m of the £57m spent on arts sponsorship last year, and are a more obvious directors' perk, are under review. Companies are cutting back. It can cost up to £20,000 to be a top rank Friend at the Royal Opera House and this now seems an unjustifiable extravagance. Arts organisations are having to fight hard to maintain their revenue from this source. Some, like Sadler's Wells, have introduced new schemes, like the Business Circle, which, for £1,000, enables companies to participate in bi-monthly client hunting, business-to-business meetings in the theatre, plus booking advantages.

Corporate hospitality will remain central to arts sponsorship. Indeed, by adding entertainment costs on top of the direct aid to arts companies, corporate spending on the arts could easily be expanded by another £30m a year.

This is regarded as money well spent. At the other extreme, charitable donations to the arts, which could also boost the total bill by another £30m, are being scaled down. Ten years ago sponsorship might well have been included in the company's charity budget, along with health, education and other good causes.

Until recently Marks & Spencer viewed the arts this way, seeking no promotional advantage from its aid. Now sponsorship falls more within the orbit of marketing directors which accounts for attempts to justify its value.

The arts has little to fear from this tougher approach. Its generally upmarket audience has a greater appeal than sports sponsorship, which is increasingly seen as expensive, over exploited, and indiscriminate. The arts offers an audience of opinion formers, the rich, and, in its variety, the young.

In spite of the recession arts sponsorship is making headway in its most challenging area: helping to sell a brand, especially to the young. In the past advertising agencies have been reluctant to recommend arts sponsorship to their clients: it cuts into their commission. That is why many consumer goods makers are low spenders on the arts. This could be changing.

Beer companies, perhaps worried about eventual restrictions on advertising, have leaped in. Becks Bier has sponsored a succession of trendy art shows, such as Gilbert & George at the Tate; Holsten has become heavily involved with alternative comedy; and Rolling Rock with an Arts Council tour of contemporary music. Now Haagan-Daz, the ice cream maker, has taken the plunge with the Edinburgh Film Festival. And that epitome of youth culture, Doc Martens, has just announced backing for its local Midlands dance troupe.

Arts sponsorship to date has ridden the recession fairly well. Overseas companies, using the arts to integrate with British life, have helped, especially the Japanese: the Japan Festival raised around £12m. from Japanese companies. Next month's Scandinavian Festival at the Barbican set itself a sponsorship target of £250,000 and raised well over £300,000, half of it from Scandinavian companies.

There is also a raft of prosperous companies, such as the newly privatised British Gas, British Telecom, (which with a £1.6m. budget is now the biggest sponsor) and the power generators, which have become enthusiastic sponsors.

Certainly most of the main arts companies are keeping their heads above water. The English National Opera has found sponsors for all seven new productions in its 1992-93 season – although the cash commitment tends to be smaller than last year. The Royal National Theatre is doing fairly well in its new policy of finding backers for new productions (Oracle has just decided to sponsor the musical *Carousel*); and the RSC has got backing from Unilever (£50,000) for its new *Hamlet* as well as from Royal Mail and AT&T, which should prove useful if its major supporter, Royal Insurance, decides that its six-year, £2.1m, commitment is enough. Only Covent Garden seems out of favour at the moment.

Obviously the climate for sponsorship is tougher, especially in the south east. Contrastingly, the Edinburgh Festival this year increased its sponsorship to £770,000. Most sponsorships are still entered into with a vague feeling of doing good.

Usually one committed senior director argues the case and wins over his colleagues. These directors are having to call on all their persuasive powers. But, if they think realistically, companies will find that, used cleverly, arts sponsorship can, for very little money, be a flexible and effective way of promoting good will, a company, and its products or services.

Sponsorship

How to get the best from your patron

Antony Thorncroft gives potential sponsors — and beneficiaries — a guide to do's and don'ts

ONE OF the restraints on the growth of arts sponsorship has been the mutual suspicion between arts companies and potential sponsors.

Arts companies are worried about interference in creative programming. Would-be sponsors feel arts organisations are unbusinesslike. Experience suggests that sponsors have more justification for their fears than the sponsored.

Here are some guidelines which might help create better relationships:

Ten tips for sponsors

■ Take advantage of government money available to encourage arts sponsorship. There is £4m a year in the Business Sponsorship Incentive Scheme to boost new sponsorships, as well as tax concessions for the arts in Gift Aid and Give As You Earn.

■ Set out targets for your sponsorship. If it is to generate goodwill, fine, but do not expect wonderful publicity. Sponsored events are ten a penny and no longer news. If it is to create opportunities for corporate hospitality make sure the arts organisation has adequate facilities. If it is for marketing purposes carry out some research after the event.

■ Most sponsors complain of poor media acknowledgement of their commitment. This can be improved if critics are personally alerted to sponsorship and its importance to arts organisation. The Royal National Theatre has adopted this approach with some success.

■ Ensure that your guests do not numerically overwhelm a sponsored event and that they behave. In a famous case Ladbroke's actually attracted bad publicity when its guests returned late and noisy after the interval at a performance of *Hamlet*.

■ Make sure that your sponsorship actually helps an arts organisation with real money. Too much spending can be taken up with promotion, consultants fees, and entertainment. This looks bad. It is bad.

■ If you want to make a big splash as an arts sponsor the most effective way is to launch a new tailor-made event, a major competition, perhaps, or a regional touring programme. This can carry your name, or that of one of your brands. Take advice from the specialist consultancies, notably Kallaway, Crowcroft Gourley, Spero Communications, Arts & Industry.

■ Involve your workforce. In the US one development is for companies to match the money given by their employees to arts organisations. Make sure the arts programme extends throughout the country and is not concentrated on, say, London and top management. Often the best results are achieved by supporting your local theatre, or orchestra, or gallery.

■ Have a structured programme. Don't fritter away a £250,000 budget on too many small sponsorships, or devote it to one elitist event — unless you are convinced that that is what you want. Make a fixed commitment, ideally three years, and add on another year to enable the arts company to find a new sponsor.

■ Take risks. Backing the experimental — in theatre, dance, contemporary music and art — tends to attract a more favourable media response, and often excites guests. It gives the impression that a company is go ahead and adventurous. It can also be very cheap. Film and photography are two areas currently under-exploited by sponsors.

■ Be enthusiastic. There is nothing worse that a sponsor going through the motions. It probably works best when the chairman, or an important director, supports his, or her, favourite art form. Their enthusiasm inspires the company.

TIPS FOR THE ARTS

■ Target the decision-maker in a potential sponsor. Companies such as British Telecom receive about 50 letters a week from arts groups seeking aid. For good or ill the most effective means of securing sponsorship is through personal contacts, getting your trustees from the Great and the Good to lean gently on businessmen they come across at work or play.

■ Offer sponsors a range of commitments. They can sponsor one concert and entertain 50 guests for £12,000, or take an international tour for £250,000. They can sponsor a touring play in Norwich, or Taunton. Be flexible.

■ One area of sponsorship which has largely withstood the recession is corporate help for educational, youth and community projects. Theatres such as the Tricycle Kilburn are not alone in finding this the most fruitful area for sponsorship. Money raised here acts as a good introduction to the arts group and releases funds for mainstream creative work.

■ Seek out successful companies: the privatised industries, food and drink companies, some multinationals are doing well. Small local firms are often intrigued at the idea and every £2,000 given by the neighbourhood greengrocer or restaurant is virtually certain to be doubled by a BSIS grant for a first-time sponsor.

■ Understand that, with the best will in the world, companies facing a dive in profits cannot be expected to continue their sponsorship indefinitely. Reckon a sponsorship to have a three-year duration, and plan accordingly, but be aware that, like Shell with the LSO, the link can extend over 20 years. Work with existing sponsors to find new sponsors

■ Be grateful. BATS once invested around £200,000 in sponsoring an opera and failed to receive a thank-you letter for its pains. Politeness costs little but carries great weight with a sponsor. The biggest complaint of sponsors is that arts organisations are lacking in basic business skills, especially marketing skills.

■ Be flexible where possible. Many sponsors complain that arts organisations want their money but give little in return. It is self-defeating to brandish a corporate name too ostentatiously in a theatre or concert hall but with some ingenuity the audience can be gently and amusingly made aware whose cash is helping the event happen.

■ Explore corporate aid other than direct sponsorship. Under the Business in the Arts scheme, businessmen with useful skills, like accountants, computer specialists, and marketing personnel, are seconded by their companies to local arts organisations on a part time basis. There are also bursaries, sponsored by English Estates, which allow arts managers to pick up new business skills by attending management centres.

■ Investigate help in kind. Companies have little spare cash at the moment but often an excess of idle goods. Airline tickets for foreign artists, cars, computer systems, could all help an arts organisation to prosper, with due credit to the suppliers.

■ The arts should examine approaches to sponsors which make a connection seem like a good investment rather than a case of unstructured patronage.

The Royal Academy does this by getting sponsors to guarantee its exhibitions against loss: a few have walked away without signing a cheque.

The regional and London suburban theatres are more and more the source of West End hits. Companies could come in as Angels on selected productions.

Sponsored recordings by orchestras could have greater potential, as could art shows which provide the backer with at least a corporate Christmas card and at most a commercially exploited print. Arts organisations should show business that it can speak its language.

The arts should co-operate more in seeking sponsors rather than establish competitive positions, which often amounts to little more than poaching each others backers. Good links should be formed with ABSA and the Sponsorship department in the Arts Council.

The Government should be lobbied, with the arts pointing out that sponsorship long ago stopped being the icing on the cake but is now a basic ingredient.

One of the great dangers today is that if the Government reduces its arts subsidy sponsors, rather than making good any shortfall, will feel that their commitment over recent years has been taken for granted, and cut back their aid in proportion.

Arts organisations have accepted sponsorship with amazing alacrity. Many theatre and museum directors spend too much time courting existing and potential sponsors. But the collective voice of arts organisations on sponsorship remains weak. ABSA is the spenders organisation. The recipients should join forces to make their views better known.

Alan Howard in "Pygmalion", sponsored by Digital Equipment Company

Having their cake and spending it

For London's orchestras sponsorship is more than just the icing, writes Simon Tait

IT IS a fallacy that sponsorship is the icing on an orchestra's cake. Without it, there is no cake, as the London Philharmonic is finding.

The LPO took up its residency at the South Bank in London last month, with its Arts Council subsidy more than doubled. "But we would lose money on Festival Hall concerts without sponsorship," said John Willan, the orchestra's managing director. "The sums just don't stack up. It costs £60,000 to £70,000 for a concert with top-line performers and five rehearsals, and for a full house we can only expect as much as £30,000 from the box office."

The orchestras, for which ten years ago sponsorship was not even icing, merely a bonbon, are having to spend more and more of their administrative time wooing sponsors. Without them, they know that the standards they have built up will collapse.

But there are risks in wooing big sponsors. "If you have a main sponsor and he changes his mind for one reason or another, you're suddenly left with a huge hole that may be impossible to fill," Willan said. "It's far better to have a basket of smaller ones."

His orchestra has been lucky with loyal supporters. Pioneer, makers of hi-fi equipment, has sponsored the LPO's Musician of the Year since 1979. The newest sponsor is Audi, the German motor manufacturer, which provides Willan with a £30,000 car, supports the LPO's youth orchestra and makes up much of the concert shortfall. The sponsorship enables the orchestra to keep seat prices in an affordable range of £4 to £28.

Other sponsors include Marks and Spencer, National Westminster Bank, GKN, the car components and engineering group, Commodore Business Machines, Chelsfield, the property group, and a number of individuals including the LPO Trust's chairman, Elliott Bernerd.

Altogether Willan can count on about £900,000 from sponsors this year, a quarter of the running costs, but the search for new ones to support the LPO's residency and ambitions is proving unrewarding. "We believe the cachet of residency puts us in a good position to get sponsors, but we haven't had much success to this point. We're working hard on the 1993-94 season."

Elsewhere, the London Symphony Orchestra's residency at the Barbican Centre in London is ten years old and its managing director, Clive Gillinson, has turned the cultivation of sponsorship into a craft.

He won this year's Garrett Award from the Association for Business Sponsorship of the Arts for his enterprising and imaginative schemes. The award carried a cash prize for the first time: £10,000 from Reed International to spend on the project of his choice. He spent it on a bassoon chair for the LSO because, he said, the bassoon was the only reed instrument in the orchestra without one.

Gillinson probably won the award for his work in finding sponsorship for the Pacific Music Festival in Japan two years ago with Leonard Bernstein and the LPO's principal conductor, Michael Tilson Thomas. He pulled together a $15m (£8.7m) package, and the festival has been established as an annual event.

But that was in the pre-recession days. "It is very difficult to persuade new sponsors in now," said Gillinson, who believes the £640,000 concert sponsorship he got this year will be reduced to, at best, £600,000 next year. "Some have had to withdraw because of the recession — ICI is one who has been very good to us in the past, and want to come back as soon as they are able to make that decision. But we have been lucky with our long-term sponsors."

Peter Stuyvesant, for example, has been with the LSO for 30 years and Shell has just signed on for another four-year cycle of scholarships. This is a nationwide trawl for talented young players which focuses each year on a different area: woodwind, strings, brass and timpani/percussion.

Sponsorship for the LSO is divided into three types: concerts, touring and education. Concert sponsorship will be down next season but touring support will be doubled, to £700,000, thanks to patrons from abroad.

"It is interesting that the last thing sponsors want to withdraw from is education projects, showing that sponsors' sense of community responsibility is stronger than their enjoyment of the big occasion," Gillinson said.

"All public subsidy now is predicated on the understanding that you are going to raise a certain amount from sponsorship. We decided that we would not compromise ourselves artistically in going for sponsors, and to our delight sponsors have responded, so it turned out to be the right commercial decision, too."

"Toxic Lagoon" by Tim Head, part of an exhibition at the Whitechapel Gallery, east London, opening in December. Sponsored by Becks

Sponsorship

Finding the right profile

Companies must target the right market, says **Simon Tait**

FOR English Estates, going into arts sponsorship a decade ago was a simple business decision. Tony Fender, chief executive, had been impressed by the community projects of some local managers, and saw considerable scope.

"Our creed is to develop the valuable hearts of communities by industrial and commercial development where private developers will not venture," said Ron Parsons, English Estates' sponsorship manager. "But we believe that it isn't just by property development that you improve standards of living. Improving quality of life is just as important."

English Estates, based in Gateshead, in northern England, was founded in 1936 as the government's response to persistent unemployment in the north east. Over the years it has spread its interests to the rest of the UK as industrial changes have struck different communities.

That has also been the pattern of its full-scale arts sponsorship. It began with support for Northern Sinfonia, the rapidly growing orchestra of the north east, and then the Royal Shakespeare Company's Newcastle season of five to six weeks.

Five years ago it ventured out of the region to support the South Bank Centre's touring of the Arts Council paintings collection, "Introducing With Pleasure", in which a series of celebrities – from footballer Pat Nevin to opera star Dame Janet Baker – picked their favourite pictures. The exhibition toured to Plymouth, Leeds, Bristol, Liverpool and Manchester.

The idea was to take art into the communities where the company had capital projects, adding an extra dimension and putting into practice the theory of cultural regeneration. In urban areas it calls the programme "creative partnerships", and it has won two of the Association for Business Sponsorship of the Arts (ABSA) awards so far.

"English Estates has forged a path for sponsors in the north east to follow," said Chris Pulleine of ABSA North. "There's a strong element of the arts in its overall programme, and they have made an enormous difference in the region as a whole."

It was Tony Pender who founded the Sponsors' Club in the north east, a group of nine businesses to date which is already committed to arts sponsorship but which also puts money into a kitty to match the funding of first-time arts sponsors.

Outside the region, the English Estates patronage has been varied. There has been the partnership with the Arts Council for the Young Conductors scheme, by which talented young musicians get a year's bursary to conduct with a leading orchestra.

In the former naval dockyard at Chatham the company has built a housing estate. "The local people never believed we could bring big companies there, so we've done it for them," said Parsons. "We had the LSO brass ensemble in July, and the RSC is going, too."

The latest venture is English Classics, a £100,000 programme in which four regional repertory theatres get to present a big production. The first has just finished at the West Yorkshire Playhouse where J B Priestley's *When We Were Married* was on for five weeks. Marlowe's *Dr Faustus* opens at the Nottingham Playhouse on November 5 for three weeks, followed by Ben Travers's *Plunder* at Liverpool Playhouse in February and Oscar Wilde's *An Ideal Husband* at Plymouth Theatre Royal in March.

"We realised the companies were falling between two stools," said Parsons. "They couldn't get the kind of support that national companies could attract, and the production costs were too great for local sponsors."

While the arts-saturated south east has been worst hit by the recession, the north east has so far been relatively unscathed after a bad battering eight years ago. So while English Estates is responding to the government's suggestion of selling some of its property portfolio to raise development capital, it is able to maintain its sponsorship, which has risen from £100,000 five years ago to almost £250,000, a plateau for the present.

"We need to be seen as an active part of the community in the north east, and there is a a great feeling for the artist in the region which has helped us establish sponsorship as a normal activity," Parsons said. "But we also need to do it in other parts of the UK now, and keep our profile up in London."

Musica: where modern music still has a pulse

Paul Driver visits one of Europe's few thriving new music festivals

UNTIL recently the European map was spattered with festivals of modern music; now they are becoming harder to find.

London's distinguished Almeida Festival has all but disappeared, Royan and La Rochelle have gone, Metz has shrunk to a weekend, and the Venice Biennale is troubled. But Strasbourg's "international festival of the musics of today", *Musica*, continues to shine as an example of enlightened underwriting and energetic open-minded programming. With a budget of more than four times (c. £800,000) that of its nearest British equivalent, the Huddersfield Festival, *Musica* can afford to run for 16 days, fill them with some 60 events, take heady risks and make bold gestures. Its money comes from copious sponsorship and hefty local and national subsidies.

Musica was founded on a central government directive in 1983, Maurice Fleuret, himself an ex-festival director (Lille), being the instrumental bureaucrat. This year's festival, directed by Jean-Dominique Marco with the assistance of Marc Dondey, was the triumphant tenth, opening with a heady risk – a choral-orchestral concert devoted to the music of that Italian maverick Giacinto Scelsi – and ending with what would have been the boldest of gestures, the first French performance of Tippett's evening-long "oratorio" *The Mask of Time*, had there not been a decisive problem with the Polish choir involved. The French premiere of the same composer's third symphony (1972) took place instead – still a pretty bold undertaking; but as played by the Orchestre Philharmonique de la Radio Télévision Belge Néerlandophone under Nicholas Cleobury, with soprano soloist Penelope Walmsley-Clark, it proved a success.

Tippett's and other modern British music formed an important strand of this festival (the British Council weighed in with support).
I arrived at *Musica* too late for the *hommages* to Scelsi and John Cage and for the featured music of Xenakis, Klaus Huber and Georges Aperghis, but much of the British music was concentrated into the final four days. One concert, given by the Orchestre Symphonique de Mulhouse, under Luca Pfaff, afforded the interest of hearing French performers in testing works by Tippett. His string orchestral *Fantasia Concertante on a Theme of Corelli* (1963), receiving its French premiere, found the players attentive and enthusiastic but far from easy with its florid yet finicky idiom.

The rumbustiously colourful *Songs for Dov* (1970) fared much better, perhaps because their urban discontents travel more easily than does the *Fantasia*'s English mysticism, but certainly because of tenor soloist Nigel Robson's brilliant expertise.

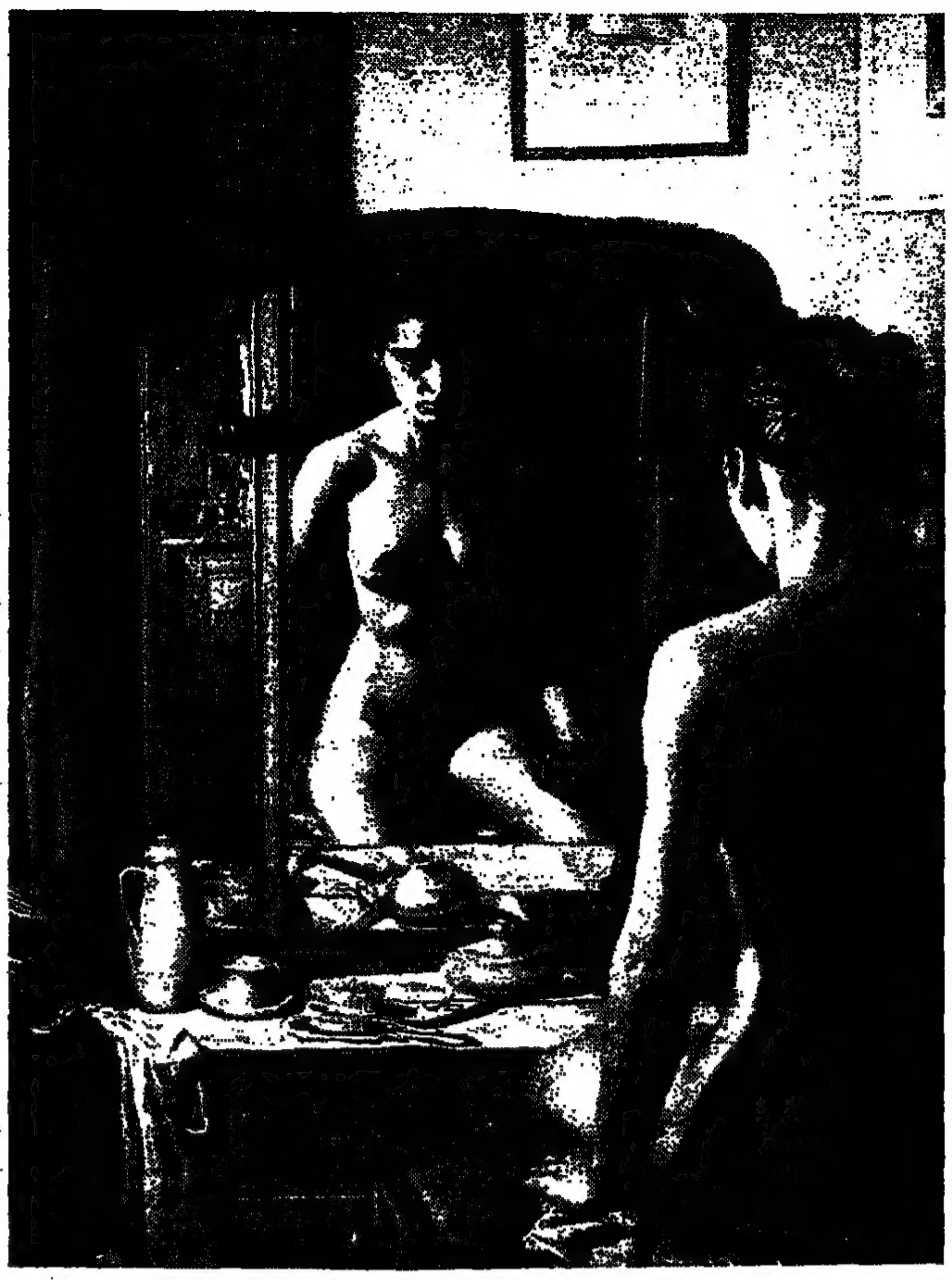
Works in the second half by young Finnish and Swiss-born composers, respectively Kaija Saariaho and Michael Jarrell, made curious contrast with Tippett. Saariaho's 12-minute *Verblendungen* (1984) for 35 musicians and tape was a typically refined and uningratiating texture-piece. Jarrell's 20-minute *Der Schatten; das Band, das uns an die Erde bindet* (1989) impressed as a tautly managed pure drama of timbres, mostly brooding and dark.

A decidedly ingratiating Saariaho piece, *Monkey Fingers, Velvet Hand*, was one of the 16 short piano paraphrases of Beatles songs that Aki Takahashi presented in her captivating late-night cabaret-like recital, "Hyper Beatles"; the others included Alvin Curran's pointillistic *When I'm Sixty-Four*, Walter Zimmerman's *When I'm Eighty-Four* (the pianist had to count aloud to 84 in Japanese), and Kevin Volans's snappily rhythmic *Happiness is a Warm Gun*.

From a concert at FR3 Auditorium by the fine Ensemble Ars Nova under Philippe Nahon one got some idea of contemporary French and German composition. The work of neither Heiner Goebbels (born 1952) nor Pascal Dusapin (born 1955) is much known in this country. The first writes in a kind of enhanced jazz/rock idiom, with electronic sampling and instrumental high jinks (we heard *La Jalousie* and *Red Run*). The second is more determinedly serious, more abstract and dissonant – neo-modernist. His new turbulent clarinet concerto, *Aria*, had its first French airing, with Armand Angster a loudly plangent soloist, and the 13-piece ensemble busily maintaining a thick *tutti* accompaniment regulated by timpani strokes.

At the Centre Culturel Le Maillon a matching pair of Maxwell Davies's *mad scenas* was given. In the hands of director Pierre-Jean Valentin, *Les caprices de Miss Donnithorne* – it was sung, or rather speech-sung, in English (by the excellent Clara O'Brien) – became a fully-staged operatic monodrama, set in an authentically mouldering mansion chamber, and whose Miss Havisham-like protagonist in taffeta and smudged lipstick toys naughtily with a cucumber and finally pours wine in a stream upon the wedding tablecloth.

Huits Chants pour un Roi fou was allowed to remain the music-theatre piece it is, with the instrumentalists (of L'Ensemble Fa) sitting in birdcages (and bird-costumes) on the platform, the conductor (Dominique My) in front of them, and baritone Richard Suart, as mad George III, cavorting around them and realising the complex vocal part with extraordinary skill and power. He was not, though, allowed at the climax to snatch the violinist's instrument and snap it, as crucially required by the score. Are French audiences squeamish about such things?


More experienced: 'Adolescence', 1932, by Gerald Brockhurst in the Manchester exhibition

Age of innocence

Is the concept of childhood a modern invention? Patricia Morison looks at the artists' approach

IS THE idea of childhood in art – as in literature – essentially a modern invention brought about by the rise of the bourgeois family?

It was the French historian Philipe Ariès who first suggested this idea 30 years ago, in the English edition of *Centuries of Childhood*. His brilliant and profoundly influential – albeit flawed – thesis sought to answer two fundamental questions: were children treated differently in the past? Did the concept of childhood exist in premodern Europe and if not, when did it emerge?

Innocence and Experience at the City Art Gallery in Manchester, is a lineal descendant of Ariès's project. An exhibition of paintings of children by British artists from 1600 to the present day, it shows the great variation during those centuries of artists' approach to children.

At one end of the period is a portrait by an anonymous artist, dated 1611, of a little boy dressed in petticoats and holding a teething-rattle. For all that, with his impassive stare and stiffly formal pose, the child is every inch the heir to the mighty Norfolk family. Contrast that with one of the most recent works, a charcoal sketch made in 1983 by Dennis Creffield. Here is the disturbing image of a newborn baby son, wailing and ugly except (are we right to assume?) in the eyes of his loving father.

The hang of the exhibition is not chronological. Paul Van Somers (as the Elizabethan artist has been identified) appears in the same section as Creffield, and as Augustus John's portrait of his son Robin, Peter Blake's painting of himself and his sister reading comics, and paintings by Sonia Boyce and Eileen Cooper. In just this section, titled "A Sense of Identity", our attention is drawn to such concerns, whether acknowledged or not by the artist, as racism, exile, childhood nostalgia, adolescent sexuality, paternal tyranny and maternal fear of her son's sexuality.

All very interesting but for my taste, in the context of an exhibition, this is all far too much. What we see in the gallery is a large group of some 60 paintings and a few sculptures. Of very mixed quality, they are in many cases both interesting and unfamiliar. The exhibition has been mounted with the eternally praiseworthy intention of being popular and accessible, children being a theme to pull in the punters much as an exhibition of horses or cats might do.

But then, because *Innocence and Experience* is a serious show put on by researchers committed to art in the service of social history (Joan Crossley created the interesting if flawed exhibition, *Images of the Army* a few years ago at the Whitworth), it swerves violently towards the kind of stodgy didacticism which surely risks putting up a barrier between the public and the paintings.

The images are being made to work too hard to serve as documents. In a book, it works fine (the well-produced catalogue makes a stimulating read); whereas confronted with the actual paintings, the voice of the social historian becomes tiresomely strident. There is too much loaded onto these walls, all manner of social and psychological insights seething beneath the surface to emerge as oddly random snippets of accompanying text.

Predictably, the show includes the darker side of images of children art, namely their sexual appeal. That said, courage runs out some way short of investigating child pornography. In the concluding section entitled "The End of Innocence", we are directed towards male artists' voyeuristic representations of the adolescent girl by Gerald Brockhurst's remarkable image of his lover Dorette. Although he called it *Adolescence*, he was actually representing a woman in her twenties but the point is valid enough if we think of Balthus.

The eternal appeal of the ephebe surfaces in a dreadful drawing, "Love Among the Schoolboys" (once possibly owned by Oscar Wilde) by the scandalous Edwardian artist Simeon Solomon, and "Berry-boy" by the no less scandalous Gilbert and George. To be sure, ever since antiquity images of young boys have been used to convey an overt sexual message. But what extraordinary mental gymnastics are required of the visitor to see why such images belong in the same section as Alan Ramsay's little sketch of his dead son and Millais's famous "Autumn Leaves".

In the end, this exhibition is too ambitious for its own good, too knowing. It might have been better to stick to a chronological hang and follow through Ariès's perceptions, taking issue with the master where he needs correction. It would have been nice to have started in the middle ages because of the opportunity to correct Ariès who, in flagrant disregard of the evidence, stated that there were no artistic representations of children because *le sentiment de l'enfance* did not exist.

Apart from that omission, there are the paintings here which could have given the exhibition a clearer structure. Family portraits by Zoffany, Hogarth and Joseph Wright of Derby make abundantly clear the influence of Romantic ideas on children's dress and demeanour.

So does this exhibition support Ariès's view that childhood is a modern idea? Unfortunately it is too confused and too overstuffed. It is an intelligent and commendable venture which needed to be physicked, given a purge. With the courage of greater simplicity, it would have led to greater wisdom and pleasure.

Innocence and Experience will be toured by the South Bank Centre; the sponsor is BT. Ferens Art Gallery, Hull, November 21–January 10 1993; Castle Museum Nottingham, January 16–February 28; Kelvingrove Art Gallery, Glasgow, March 6–April 25

A Pre-Raphaelite abroad

AMONG casualties in the great shift against Victorian taste early this century, Burne-Jones was a spectacular artistic victim. "Love and the Pilgrim", now in the Tate Gallery, sold for £5,775 in 1898, £210 in 1933 and was bought in at Christie's in 1942 for £21. Yet when the English tide was already turning against him in the 1900s, Burne-Jones was still lauded in Europe. Of the Victorian painters, he set himself most apart from the naturalistic school, and his symbolic forms and sometimes near-abstract motifs appealed first to French and Belgian symbolists, then to European art nouveau designers, and later had an important effect on Picasso and Kandinsky. His biggest literary fan was Proust, whose characters in *Jean Santeuil* plastered their walls with Burne-Jones reproductions.

It is the European connection that the British Council celebrates in its touring exhibition of the artist's drawings, the first solo Burne-Jones show ever seen outside the UK. It opened in Nantes to coincide with a Burne-Jones acquisition; at Charleroi, outside Brussels, it emphasised the symbolist links with comparisons of drawings by Burne-Jones and Belgian symbolist Fernand Khnopff; and at

Burne-Jones's work appealed to symbolists, Picasso and Proust

Nancy, art nouveau capital of France, where the show has just arrived, it trumpets the influence on art nouveau architecture and interior design.

Like many Victorians, Burne-Jones reacted against his times. "Then science became materialist, and then I painted angels," he said. But while artists such as Leighton escaped into paradisical fictions, Burne-Jones depicted contemporary conflicts in symbolic language. His mythological figures are desperate, contorted creatures; in the drawings they are running, fleeing, cowering in terror. In an Aenead illustration, shipwrecked women, bodies, legs, gowns, hair hurtle across each other in panic. In the Merlin studies, the convoluted, swirling movement of robes and drapes conveys the agony of the half-drawn bodies beneath. Repeatedly, in sketches of *Dido*, of *Chaucer's heroines*, figures twist away, heads turn from the viewer, looking down, out of the picture; one is blindfold.

Where there counterparts in oil remain remote, ethereal, the pencil and chalk portraits are intimate, suggestive of personality, tenderness. In one, Burne-Jones mistress Marie Zambaco as Chaucer's Phyllis, swerves from our glance in a deliberately distancing pose even as her elusive melancholy tempts us back. The head of the pilgrim in a study for "Love and the Pilgrim" has fleshy androgynous features, the averted eye wide open and confused. The inner mood is hinted at; here is a human type rather than the black-clad allegory in the painting. Khnopff, who sought to paint the "invisible" admired above all Burne-Jones precise expression of myth and sentiment.

The most potent drawings date from the 1870s when Burne-Jones developed the "quattrocento" style of highly wrought, multi-toned pencil works such as the studies for Merlin and the Mirror of Venus here. Several display his obsession with Renaissance hairstyles, locks tensely plaited, twisted, swathed about the head, which he copied from Leonardo and Michelangelo. (He once took opera glasses to the Sistine Chapel, "folded his railway rug thickly, and lying down on his back, read the ceiling from beginning to end.")

By the 1890s, the lines are broader, there is a new softness in the head studies, especially those in red chalk. One of the plums at Charleroi is a dreamy late "Study of a Woman" from a private collection, inscribed to Khnopff, shown alongside Khnopff's similar "Study of a Sphinx" dedicated to Burne-Jones.

Khnopff called himself a "co-reveur des pre-Raphaelites anglais". This show casts a doubly illuminating focus on Burne-Jones. A spotlight on the drawings, more stylised and decorative, less dynamic, than the paintings, goes to the heart of the artist's aims and vision, giving a closer insight into his personality. Second, seeing the drawings in a foreign context in which they were influential, raises questions about the Victorian role in European art history and suggests that had Burne-Jones and the pre-Raphaelites been appreciated at home early this century, rather than seen as an aberration of the 19th century psyche, the British might have more easily welcomed the European modern movement.

Jackie Wullschlager

At the Musée des Beaux-arts, Nancy, October 20 to December 21.

A 'Liar' that's lasted

BILLY LIAR opened in 1960 at the Cambridge Theatre with Albert Finney in the lead, succeeded by Tom Courtenay. Lindsay Anderson directed. Now, a National Theatre production is touring the UK. When it reaches London (Cottesloe Theatre, December 15) it will be the first London revival since that original. This sad comedy by Keith Waterhouse and Willis Hall has spawned a film, musical, TV series and an American sitcom. The hero, Billy Fisher, would now be in his 50s. Why has a tall tale about a liar lasted so long?

At Manchester's Contact Theatre, *Billy Liar* is part-comedy and part social history, class envy and emulation in the 1950s north. This fable of England is set in a riot of 1950s design colour and the wasteland of 1950s monochrome attitudes. The tone of this production, like Billy's mind, is undecided; it looks patchy.

Billy Fisher, 18, grammar-school educated and poised between working and middle class, is, as his fiance says "a miserable, lying, rotten, stinking git." He lies to aggrandise himself, and weaves deception only to be ensnared. He lives with rough, decent parents, and courts women *en masse*. Eventually his tall stories, his pilfering from work, and his two fiances – Barbara and Rita – catch up with him.

Billy's way out is south for London, encouraged by Liz, the one who intuitively understands his pathology. But his failure to leave the damaging environment is a painful moment. Opportunities are rare, and Billy has wit enough to know a missed one.

The production serves the play well enough. The 1950s design (Bunny Christie) is a cacophony of patterns and styles of the kind on sale in New York's SoHo chic antiques dealers; Billy's grandmother (Elizabeth Bradley) shows taste in addressing the furniture rather than the family. The parents (June Watson, James Grant) keep brawling distance from Billy, conveying but rarely feeling their limitations.

As Billy, Paul Wyett jokes too much to appear wise, and underplays the adolescent, arrested development which makes Billy's imaginings part of everyone's past. The 1992 version of the play would find Billy in care, or working in Virtual Reality. The 1960 version offers the excruciating sight of someone being untrue to himself: lilies that fester smell far worse than weeds.

Tim Supple's direction clogs the action in the cluttered travelling set, but draws good performances from Billy's fiances and in particular from Sally Rogers as Liz: one actually believes in her hope and ability to save Billy from himself.

Back in 1959, with unemployment around 2 per cent, a new M1 motorway, hula-hoops and hovercrafts, the world had looked bright for Billy. But in the broader picture, Billy pales alongside his real-life North American contemporaries Jack Kerouac and Neal Cassady; to read *On The Road* (1957) is still to anticipate the 1990s, whereas to see *Billy Liar* is to look back towards Victorian England. This comedy is a serious play about England. Unfortunately it still feels current.

Andrew St George

On Tour until 6 March 1993: Sponsored by BP

Dances of death

Jackie Wullschlager surveys new theatre in Paris

THE NEW Paris theatre season has had an early, surprise star in *Mortadela*, which suggests a slice of charcuterie but is about death, desire, fleshiness. It is the most irresistibly sexy show in town, a home-spun musical of one man's memories whose character and warmth not only thrill the soul but throw into relief the refined heartlessness of Paris national theatre. *Mortadela*, at La Cigale in Montmartre, and another powerful music drama, *Zarzuela*, nearby at the Bouffes du Nord, suggests that the pulse of Paris theatre is beating not in the *premiere arrondissement* but in the raffish outer districts.

At La Cigale, an old cafe chantant or musical, Alfredo Arias' review of his Argentinian youth celebrates the tango in its heyday and is a bittersweet evocation of the women from his past. Some dance their way into his memory by erotic display, like Cecilia Rosetto in "Banana" who seduces astonished men in the audience with peeled bananas plucked from her thighs or head-dress; the male emcee responds with drag pastiche in bikini and tropical fruit. Others move to the rhythm of sexual domination and submission; one woman beats a rope on the floor as she dances to the pace of a low-toned conga drum while another just out of reach writhes in coils of fear and invitation.

Whirlwind tangos, jaunty cha-chas, offset sadder boleros and chansons while an accordion wails notes of sorrow and displacement. Never far off is the dance of death: *trompe l'oeil* exchange of a doll for acrobatic dwarf actress Pilar Rebollar, apparently dashed to the ground in a family row; a butcher, murdering his unfaithful wife with a meat knife, elaborates the macabre title.

Most of Arias' numbers, as well as his performers, come from the music halls of Buenos Aires and they sing and dance with a passion and romance of exiles recreating a lost world: throaty, tender, lustful, desperate. The show's life-is-a-cabaret mood is raw yet slick – in songs, satiric monologues, legwork, the pattern of pumps and stilettos on the ground. Few musicals exhilarate with the kitsch glitz of purple roses and torso-hugging velvet while wearing a vulnerable heart so openly on their sleeves.

The French term for play or performance, *spectacle*, hints at the spirit not only of French music hall and its Montmartre traditions but also of straight French drama, which is far more likely to include song and dance routines than its English or German counterparts. *Caligula*, which opened at the Comédie Française earlier this year, is a brilliant example of dance illuminating themes in a complex work through sensual power and provocative display. But too often a play degenerates into a mindless spectacle of formal kicks and tuneless squeaks, which is the catastrophe of the Comédie Française's newest production, Lermontov's *Bal Masqué*.

Like *Mortadela*, this is a dance of death, but the contrast could not be greater. Lermontov's tale of revenge via Russian aristocratic traditions – gambling, masked balls, wife-poisoning, duels (Lermontov, aged 27, was killed in one) – is enacted by puppet figures in black and white, masked, some encased in porcelain heads like 19th century dolls, who progress by candlelight to their doom. Solemn music recalls a funeral march; passionless dialogue is spat out in the kind of sharp glacial French, only heard on this stage, which could cut crystal. Director Anatoli Vassiliev has achieved a sculptural beauty which awes for perhaps 10 minutes; he leaves his ghostly tableau on stage for three-and-a-half slow motion hours. There is no interval.

Here is the Comédie Française at its most degenerate. For decades it has lived on inflated reputation and mystique bolstered by the French press. The classical virtues it cultivated have been pushed to such extremes that they have turned decadent. Productions are lumbering, absolutely unemotional. Actors move with an authoritarian chic which is stuffy and posey, and speak in a cut glass monotone which renders all reactions the same. In particular productions by Vassiliev, the Comédie Française's celebrated director Antoine Vitez, and actor-director Jean-Luc Boutté, who here plays the vengeful hero Arbenine as a deadly robot, are marked by a cold intelligence which assures unity of tone, set, costumes but innoculates against force, tenderness, passion. Unless original shows of the calibre of Chahine's *Caligula* – disliked by critics, but playing to packed houses – continue to join the repertory, the Comédie Française risks decline into self parody.

Across the river, Paris's second serious national theatre, the Théâtre L'Europe, could attract the brightest and best of European directors but has wasted the last year in an almost exclusive "cycle hispanique" of obscure plays in Spanish and Catalan made intelligible to French audiences by surtitles. Its home productions have been mixed – most successful was Patrice Chéreau doing Botho Strauss; most dismal Peter Zadek's *Measure for Measure* spoken by a cast which barely seems to understand its lines. And for all the Spanish enthusiasm, the most exciting French/Spanish work now touring Europe is Alain Maratrat's feisty, moving spectacle *Zarzuela*, which I reviewed at its Vienna premiere, and which has come to Peter Brook's cavernous Bouffes du Nord theatre.

Highlights to come in the Autumn Arts Festival emphasise the growing importance and daring of the suburban theatres which form a classy outer ring round Paris, and it is here, and in venues like the unfashionable Cigale that the future of Paris theatre looks most promising.


Comédie Française at its most degenerate: Lermontov's 'Bal Masqué'

Playing it safe with 'Swan Lake'

***Clement Crisp** finds serious faults at the opening of the Royal Ballet's new season*

OF COURSE, the Royal Ballet began its season on Thursday night with *Swan Lake*. Otherwise, how would the public know that this *really* was a ballet company? "The Rockies may tumble/ Gibraltar may crumble/ They're only made of clay/But ... *Swan Lake* is here to stay" is Covent Garden's tune. The cancellation of scheduled Opera House performances of *Prince of the Pagodas* in favour of *Sleeping Beauty* – why not *Swan Lake*, chaps? – is further indication of the Play Safe, Play The Classics syndrome that will drag British ballet back into the 19th century just as the 21st dawns.

Under the circumstances, the really cunning trick would be to show the public a serious, credible production of *Swan Lake*.

In matter of text, The Royal Ballet has the finest staging in the world. Scholarship, care, have restored a version of the choreography as near as dammit to what the Mariinsky Theatre audience saw in 1895 at the first performance. (That precious nuances might be restored to the role of Odette/ Odile would be possible if anyone chose to consult Dame Alicia Markova, repository of the best traditions of the role).

What minimises this production is a belief that decoration is style, that fuss is drama, and witless activity proof of aesthetic life. Some of the more egregious bustle has been removed from the opening scene, though I think the way the tutor is presented (paedophilia *just* round the corner) is a mistake, and I am no admirer of Siegfried's companions, who are a boorish lot.

The decision to set the piece in 1890 is a mistake, and it shows horridly in the flustered first act merriment and in its design – what is that vast pearl crown skewed at stage right? – but thereafter the poetic caprices of Yolanda Sonnabend's settings give a welcome sense of the fantastic and dream-like.

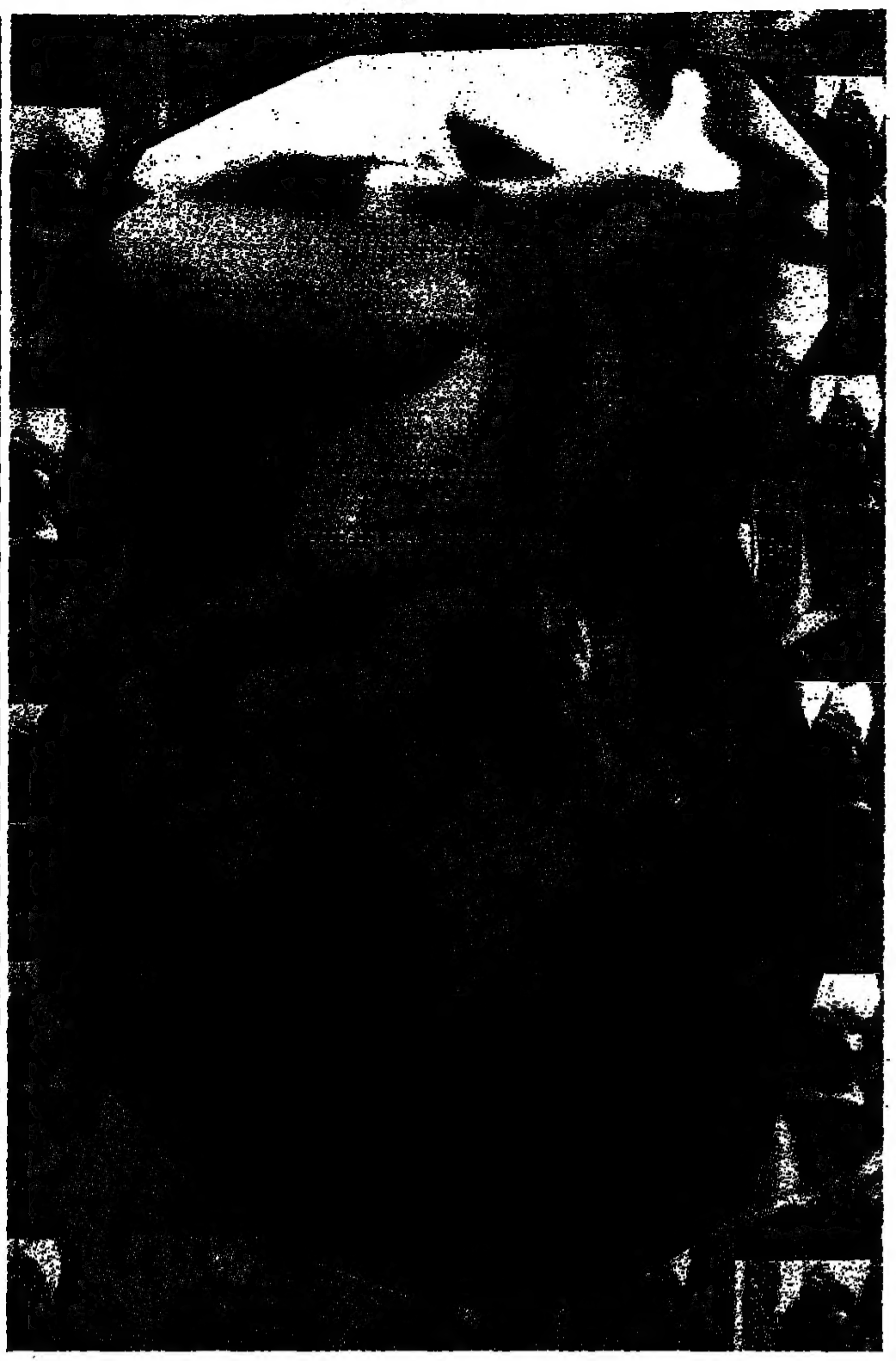
Yet there still seems a lack of belief in *Swan Lake* itself as one of the great metaphors of classic dance. Production ideas encroach upon dance ideas, erode them. "Meaning" for the Royal Ballet comes from imposed dramatic argument: everyone on stage must know who they are as characters, rather than what they represent in the choreographic scheme. (The national dances of Act 3, for the most part crassly done on Thursday, have none of the power that they know in St. Petersburg, because they are embedded in florid costumes and their dance style is misunderstood).

The visual neuroses of the staging – the swans' white head-dresses (somewhat improved this season) and their creamy, drifting skirts; the often murky lighting; the need to fill the stage with oh-so-vivacious supernumeraries (why on earth are those two dancers' mothers fussing in Act 1?) are shadows on a masterpiece that should be luminous with meaning because of the potency and clarity of the dance itself.

This comment also applies, I feel, to Darcey Bussell's Odette/Odile. We saw on Thursday a young dancer of prodigious physical skill giving an interpretation that veered between the sublime – movement simple, grand, exquisite both in its power and in its articulation – and the vapid, when line was not allowed to open out, when phrases were presented as if by rote, when a pernicious English-Miss dullness made the dance as bland as milk and domestic as a cottage garden. It was a reading unfocussed, unawakened – and Zoltan Solymosi's attentive but light-weight Siegfried was no spark to interpretative fire. Bussell's natural gifts are thrilling, and so is her native dance-intelligence. The drive and clarity she has brought to the Balanchine repertory, and the dazzling variety she has shown in MacMillan ballets (from *Pagodas* to *Song of the Earth*) should illuminate her Odette/Odile. At present these qualities seem threatened by the double role.

Incidental pleasures of the evening included Tetsuya Kumakawa in the first act trio, offering stunning, high-flying bravura; and the continuing presence of Leslie Edwards – at the start of what must be his sixtieth season with the company – showing yet again the dignity and simplicity that make him a treasure of our ballet.

Swan Lake continues in repertory at the Royal Opera House during the next two months.



Discipline needed: 'Sex' is just another stage in Madonna's search to be sat on

Cop out on sex

*It's all a con, Madonna, says **Antony Thorncroft***

MADONNA has done it again. Louise Ciccone from Rochester, Michigan, a dumpy drummer in a punk band, who from the first was determined to have more than her alloted 15 minutes of fame, can add another notch to her game plan to take over the world. Whatever you may think of her book *Sex*, published (and sold out) this week is irrelevant. It has fulfilled the only two objectives that matter: it has made a lot of money and it has kept the Madonna myth spinning.

One day there will be a movie, something on the lines of *Citizen Cane*, or a novel, a latter day *The Great Gatsby*, which attempts to get to grips with Madonna. She has already projected herself out of the judgment of this age. What other star would promote herself with photographs showing her masturbating, participating in troilism, or walking naked down a Miami freeway. Would Marlene have done it, or Marilyn?

Until now showbiz icons had always been careful to maintain a veil of mystery, a modicum of self-respect. Madonna sets her own agenda, marketing herself ever more outrageously. First the name – take that, Catholics. Then the first hit, "Like a Virgin" – role over, romantics. Then the early stage act, when she tossed her knickers to the audience; then the latest, when she became the untouchable harlot, despising the dropped jaws of her fans as she writhed on a bed to synchronised orgasms. Now no one is really shocked by her antics. We marvel away and wait for her to decide what will become socially, artistically, and culturally acceptable.

The great achievement of Madonna is that she unites as fans so many die-hard opposites. As a Woman on Top she appeals to feminists; as a free spirit who seems to enjoy life she draws in young women who admire her chutzpah; as an outrageous theatrical figure she satisfies gays; as a blonde she wraps up the middle-aged men who dream nostalgically of Monroe; and the brown Mac brigade for once feel that they are part of the human race. You appear odd if you disdain *Sex*.

And yet it is all a con. In *Sex* Madonna dodges the issues. The neatly packaged, loose-leafed, album basically consists of around 150 soft core photographs, dressed up with Madonna's naive, somehow innocent, views on sex. But she is reluctant to expose herself intellectually and pretends that the words are those of a mythical swinger called Dita. In the end we can wake up and find it was all a dream. That's a cop out, Madonna.

She also ducks the condom issue. Her preface contains a testimonial for safe sex. Turn the page and you are back in a pre-AIDS world of unbridled instant accessibility.

And then the photographs. Once you get past the frisson of surprise they are really quite decorous. For all the provocation in the text the poses are fudged. It is as simulated as a prostitute's "hello, darling", as phoney as the smile on a Sun Page Three girl. The scenarios are fantasy S & M, or gay, or voyeuristic. The shot of her being gang raped by two skinheads on a baseball court says it all: Madonna is giggling. There is no sweat, no pain, no despair, no real privacy outraged.

The famous friends who have stripped for Madonna, like Naomi Campbell and Vanilla Ice, look suitably embarrassed. Damn it, Vanilla Ice is actually wearing his Y-fronts as he falteringly gropes the Lady. This is the Helmut Newton school of photography, glamour shots for jaded sophisticates. It is as sensual and as arousing as the Bluebell Girls.

And yet for millions of people what had been kept under the counter, banished into the more closeted parts of the psyche, comes into the light, into media respectability. Madonna is a D.H. Lawrence type figure, proclaiming the sheer joy of sex. Some of her text is quite sensible. "This book is about sex" she begins. "Sex is not love. Love is not sex. But the best of both worlds is created when they come together". After that love is given its marching orders. She makes some sort of case for sado-masochism. "The definition of S & M is that you let someone hurt you who you know would never hurt you." Simplistic but worth discussing. Such insights are rare. Much of the text is facile pornography designed to excite those parts not reached by the pictures.

Sex is just another stage in Madonna's rather sad search to be sat upon. As the public gives way before her ever more outrageous behaviour you can almost sense her craving for discipline. It is a pity that such a talented performer, such an intelligent art connoisseur, such a rich and potentially philanthropic woman, should pursue such transient and ultimately specious gratifications. There is only one way for Madonna to go; like many a medieval libertine she will no doubt end up in some religious cloister, finally living up up to her name.

The Truth of the Matter/**Nigel Spivey**

A premium put on the depraved

IT IS much thought of, at all levels. It is much talked of, at all levels; and it is much written of, at all levels. Why then do we continue to pretend that sex is the part of our lives that we most repress?

A century ago, when some stewards of morality were reputed to have been offended even by bare table-legs, one could understand how books might be scandals, politicians disgraced and royalty demeaned, on account of sex. The Victorians, at least, were consistent: they properly sought the repression of discourse about sex.

Our own age is less so. We want sex to be a matter for open minds, to be able to chat, write, read and see all about it: yet we want it to be, at the same time, tinctured with the illicit: something about which we can confess. For the confessional habit bred into us by medieval Christianity has not faded as Christian belief has faded: it has simply been absorbed into the application of Freudian analysis. The confessional box has become the psychiatrist's couch.

This, broadly, is what the French theorist Michel Foucault maintains in his *History of Sexuality* (published by Penguin). A secret habitué of the gay barrack-rooms of San Francisco, Foucault died of AIDS in 1984, before he finished his project. In fact, he got scarcely any further than the ancient Greeks. But his work remains useful. The Greeks, as he demonstrated, never built into sex the notion of inherent sin. Sex was only a focus of moral concern insofar as it involved self-respect and personal volition. There was no hierarchy of sexual behaviour determined by religious or social codes. That a group of married men might meet up one evening and go through the entire gamut of homosexual modes of gratification was not unseemly according to any law. But – as anyone with the slightest acquaintance with the texts of Plato will know – this does not exclude the possibility of "upright" or "decent" behaviour. Greek doctors recommended moderation because they believed a man's sperm to be a limited supply and essential for his longevity. Socrates recommended moderation because he believed that self-control was germane to good citizenship and a means of training the soul for higher things in the life to come.

Pornography – literally, "the depiction of prostitutes" – existed in Classical Greece. There is no evidence to suggest that it was an underground phenomenon. Even if the philosophers despised it (as I suspect they did), they were perceptive enough to see that any law which defined pornography as depravity would put a premium on the depraved. Diogenes the Cynic went so far as to masturbate in public: if he could eat in public, he argued, why should he not accommodate his sexual appetite likewise – at no inconvenience to anyone else?

Two events of this week concentrate the mind on this exemplary system of morals. First, the issue of Madonna's scrapbook-cum-epistolary novel, *Sex*. Second, the launch of a renewed campaign to ban tobacco advertising throughout Europe. On *Sex*, little needs to be added to the verbiage it has already attracted. One's uppermost impression throughout is that Madonna is an ugly and inarticulate lady who cannot hold a candle to the delicate eroticism of Marilyn Monroe.

But juxtapose her book with the move to prohibit the promotion of smoking, and there emerges a structure of values with some cogency to it.

You cannot ban a book because it is boring and garbage-laden. Nor can you ban this particular book on the grounds of indecency alone, because many newsagents in Britain now stock magazines which are equal to, and often more explicit than anything Madonna parades. But *Sex* is directed at young people in a way that pornographic magazines are not. And it glamourises behaviour likely to do young people just as much harm as smoking cigarettes.

Games with knives held against genitals. Studs, whips and thongs. The involvement of dogs. The sheer multiplicity of partners. All these can reasonably be defined as injurious to good health. The straight motive of preserving the species would ultimately justify action to forbid the behaviour encouraged by Madonna.

She tells us, in the course of *Sex*, that she finds fat people repugnant. They fail to work out, to look after their bodies. If she thinks thus, then she should understand why her book is offensive. The logic invoked by the Greeks, the logic whereby tobacco advertisements are banned, the logic which makes obesity a form of corruption – it is the same as the logic which holds sado-masochism, promiscuity, bestiality and sexual excess as threats to society. If we are consistent, we shall draw up guidelines for moral action based on this logic of human health and happiness, suitable for a pluralistic and largely secular society. Failing that, I hope for *Sex II*: the sequel of loveless, bloodied and moribund bodies.

Radio/**B.A. Young**

Suitable cases for conflict

MORGAN, the protagonist of David Mercer's *A Suitable Case for Treatment* (Radio 3's Sunday play) is a communist. Stalin's and Lenin's faces appear in his dreams, and the KGB, and the great staircase scene in *The Battleship Potemkin*. Morgan's girl Jean and his mother are communists, too. But the play is not to do with communism. Indeed it is hard to say what it is to do with.

Mercer was one of the dramatic highlights of the 1960s. This play was given on television in 1962 and as a film, called *Morgan*, in 1965. Don Taylor, who directed the television, has made and directed this radio version, but he has not clarified the argument.

That hardly matters, for, whatever it signifies, this rally of unlikely events is entertaining in its way, and Stephen Moore as Morgan is as likeable as such a grotesque figure can be.

Grotesque? He breaks into his divorced wife's bedroom and hangs her toy dog on a toy gallows. He continues to live in her Morris Minor. He is obsessed with Guy the gorilla in the Zoo. He puts a modest time-bomb under his wife's bed, expecting her lover there. He is under analysis all this while, and has these long dreams. Mercer seems to have regarded him as lovable; but his wife, his girl-friend and I all found him too unpredictable for that.

What is unpredictable in Radio 4's Monday play, Angus Graham Campbell's *From Morning Sun till Dine*, is that his two almost predictable characters should stay together. Chris (Samuel West) is a public schoolboy studying for the Army. Sharing his rooms, in the basement of his family's house, is Paul (Ian Shaw), a rough Ulster student, reserved about the English upper-classes. Instead of just swopping political truisms, Chris does knitting and, despite evident anorexia, cooking, while Paul is distressed at Chris's apparent illness.

I suspect that they have what used to be called a "romantic friendship", but the author hasn't wanted to mention it. (Chris picked up Paul on the football field.) There seems no other reason for their staying together when they are so often anxious not to. Paul, telling of a UFF murder of a 13-year-old boy, says he had "these kind of greeny-blue eyes with pale streaks," a highly romantic detail of what was a savage attack. They are still together at the end, poor sods. Richard Wortley directed.

The fourth, and unhappily the last, of William T. Vollmann's *Yugoslavian Notes* came on Monday. I compared him before with Ernest Hemingway, and the resemblance impressed me again. Vollmann was in a ruined youth hostel with some students and Blue Thunderbolt soldiers. The chetniks in the house across the street could be watched by using a mirror.

Casual talk was of taking furniture from the neighbouring houses to provide fire, of searching for cabbages in the dark garden, to make "a nice salad". If the chetniks fired with their machine-gun, the reply was a few rounds from a Kalashnikov, taken respectfully in turn. Vollmann's low-key commentary was as moving as it was exciting.

A different kind of conflict is in Radio 4's *Devil's Advocate*, a six-part series on Wednesdays. People are invited to defend a fictional villain of their choice, in front of Clive Anderson. The first advocate was Fay Weldon, and she chose Alec D'Urberville in Hardy's *Tess of the D'Urbervilles*. Of course he didn't rape Tess! He "took advantage of her" when she flirted with him. Feminist Fay Weldon could not condemn Tess; she was a decent girl, who did not take part in the excesses of the May dancing. But she had agreed to live with Alec while her proper husband Clare was abroad; and she murdered him on her own initiative when Clare came back. Next week Helen Atkinson-Wood will defend Goneril.

Chess No 946: 1 Rh5. If Ke3 2 Rh3, or Kg4 2 Qd1, or Kg2 2 Qa8.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Spider. 7.35 Quick Draw McGraw. 7.40 Animal World. 7.50 Litt' Bits. 8.15 Chuckievision. 8.35 Bucky O'Hare. 9.00 Going Live!

12.12 **Weather.**
12.15 **Grandstand.** Introduced by Steve Rider *from* Wembley. Including 12.20 *Football:* Reviewing British clubs in the second round of the European competitions. 12.55 Rugby League: Previewing Great Britain v Australia. 1.05 News. 1.10 Racing from Newbury: At 1.15 The Radley Stakes. 1.25 Snooker: Grand Prix. Coverage of the semi-finals from Reading. *1.40 Racing: At 1.45 The Castrol* St Simon Stakes. 1.55 Snooker: Grand Prix. 2.10 Racing: At 2.15 The FLS Aerospace Handicap Stakes. 2.25 Rugby League: Great Britain v Australia in the World Cup final live from Wembley. Ray French commentates. 4.40 Final Score. Times may vary.
5.05 **News.**
5.15 **Regional News and Sport.**
5.20 **Dad's Army.** Vintage laughs with Arthur Lowe and John Le Mesurier.
5.50 **Big Break.** Presented by Jim Davidson and John Virgo.
6.20 **Noel's House Party.** New series. Noel Edmonds returns with guests dancer Wayne Sleep, comedian Jasper Carrott, tennis ace Pat Cash and actress Pat Coombs.
7.15 **Bruce Forsyth's Generation Game.**
8.15 **Casualty.** The staff deal with a mentally handicapped girl whose medication affects her health. Julian musters up enough cour*age to reveal his true feelings for* nurse Sandra Nicholl. Starring Nigel Le Vaillant and Cathy Shipton. Lionel Jeffries guests stars.
9.05 **News and Sport; Weather.**
9.25 **Film: Coming to America.** African prince Eddie Murphy journeys to the USA in search of a wife. Arsenio Hall plays his personal valet who also joins in the fun (1988).
11.15 **Match of the Day.** Bob Wilson introduces highlights from two of the day's FA Premier League *games and goals from the other* matches. Commentary by John Motson and Clive Tyldesley.
12.15 **Snooker: Grand Prix.** David Vine introduces the conclusion of today's semi-finals from Reading.
1.30 **Weather.**
1.35 **Close.**

BBC2

9.05 Film: Swiss Miss. 10.15 Film: Abbott and Costello in Hollywood. 11.35 Holiday Outings. 11.45 So You Want to Play Golf with Peter Alliss. 12.15 pm Film: A Night at the Opera.

1.40 **Animation Now.**
1.50 **Network East.** Profiling Indian actor Saeed Jaffrey.
2.20 **Tanhaiyan.** New series.
3.00 **Film: Funny Face.** Fashion photographer Fred Astaire turns Audrey Hepburn into a chic *model.* (1957).
4.40 **Snooker: Grand Prix.** Highlights from today's semi-finals.
5.25 **Tennis: Midland Bank Ladies' Championship.** Highlights from the first semi-final.
6.00 **Scrutiny.** A look at how the government's troubles are boosting the powers of watchdogs MPs. *Also on the agenda is the Com*mons trade and industry committee as it launches its inquiry into the pit hit list and also the treasury committee as it wins a promise from the Chancellor to give it a key role in monitoring inflation.
6.30 **News and Sport; Weather.**
6.45 **Pole to Pole.** *Michael Palin and* his team attempt another epic journey – travelling from the North Pole to Antarctica. With subtitles. Shown Wednesday on BBC1.
7.35 **The Labeque Sisters.** Following concert pianists Katia and Marielle Labeque on their international tour. They play a variety of music – classical, modern, rock, jazz – to various audiences.
8.35 **Have I Got News for You?** Satirical humour with Ian Hislop and Paul Merton, who are joined by The Mary Whitehouse Experience's David Baddiel and Liberal Democrat President Charles Kennedy, MP. Presented by Angus Deayton.
9.05 **Testament of Youth.** After hearing of her fiance's death, Vera (Cheryl Campbell) volunteers for overseas service in Etaples, where she nurses wounded prisoners of war.
10.00 **The Brain Drain.** Sandi Toksvig, Tony Hawks and Frank Skinner *join host Jimmy Mulville for the* last programme in the series.
10.30 **Snooker: Grand Prix.** The latest from the semi-finals.
11.15 **Film: A Bullet for the General.** Spaghetti Western. Klaus Kinski stars (1967).
1.15 **Close.**

LWT

6.00 TV-am. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.00 The ITV Chart Show.

1.00 **ITN News; Weather.**
1.05 **LWT News and Weather; The Day.**
1.15 **WCW Worldwide Wrestling.** Top grappling action.
2.05 **International Rugby.** France v South Africa. Live coverage of the Second Test as the Springboks continue their first European tour since returning to the international rugby fold earlier this year.
4.40 **ITN News and Results; Weather.**
5.00 **LWT News; Weather.**
5.05 **Cartoon Time.**
5.15 **Dinosaurs.**
5.45 **Catchphrase.**
6.15 **Gladiators.** With Ulrika Jonsson and John Fashanu.
7.15 **Blind Date.** Hosted by Cilla Black.
8.15 **Beadle's About.**
8.45 **Dame Edna's Neighbourhood Watch.** Edna hosts the final programme in her Through the Keyhole-style series. Ably assisted by dowdy former bridesmaid Madge Allsop, she uncovers the *intimate secrets of a member of* the studio audience.
9.15 **Film: Cocktail.** Young barman Tom Cruise is taught the skills of the trade by a self-styled bartender and philosopher – but romantic complications develop when the apprentice falls for a beautiful woman. Bryan Brown co-stars (1988).
11.10 **ITN News; Weather.**
11.25 **LWT Weather.**
11.30 **Hale and Pace.** Mirth and mayhem when comedy duo Gareth Hale and Norman Pace meet the man who built the set for Prisoner: Cell Block H.
12.00 ***Almost Grown; Get Stuffed! ITN News Headlines.***
1.00 **The Big E.** (British Summertime ends), followed by **Indy Car Racing, *Get Stuffed and ITN News Headlines.***
2.05 **The Gig**
3.05 **New Music.**
4.05 **Rhythm 'n' Reag.**
4.30 **The Hit Man and Her.**

CHANNEL4

6.00 Early Morning. 10.00 Kabbadi. 10.30 Gazzetta Football Italia – With Paul Gascoigne. 11.30 American Football: Play Action. 12.00 Sign On – Your Views. 12.30 pm Songs and Memories.

1.00 **Film: The Silent Enemy.** With Laurence Harvey as Lt Crabb, *who led frogmen against the Ital*ians in the Mediterranean in 1941 (1958).
3.05 **Racing from Doncaster.** Including the 3.10 Variety Club 'Sunshine Coach' Handicap, 3.45 Racing Post Trophy, 4.15 Doncaster Stake and 4.45 Friends of the Variety Club of Great Britain Nursery Handicap races.
5.05 **Brookside.**
6.30 **Right to Reply.** General Sir Anthony Farrar-Hockley, former Colonel Commandant of the Parachute Regiment, discusses Lynda La Plante's BBC drama Civvies with producer Ruth Caleb and director Karl Francis.
7.00 **A Week in Politics.** Tony Newton MP, Leader of the House of Commons, offers his view on whether the Government has lost its way. How will ministers negotiate the problems of the months ahead - including the Maastricht Treaty, public spending cuts, the new council tax and permanently *rebellious backbenchers? Plus,* will the European Fighter Aircraft be built by Britain alone, or will it be a victim of spending cuts?
8.00 **Adventures: On the Trail of The *Chinese Wildman.*** *Following two* eminent anthropologists' expedition to find the legendary half-man, half-ape creature of China. Reported sightings date back more than 2,000 years. The film joins 110 Chinese scientists in an exhaustive investigation through some of the most inaccessible parts of China.
9.00 **Court TV: America on Trial.** More extracts from American trials including Florida v Mills: A young Vietnamese student is kicked to *death in, what is believed to be, a* racially motivated attack. Brad Mills, one of seven white youths accused of second degree murder, is being tried first. Did he *take part in the beating, or was* he trying to break up the fight?
10.00 **Film: Nasty Girl** (1989)(English subtitles).
11.45 **Let the Blood Run Free.**
12.15 **Film: The Return of Maxwell Smart** (1980).
2.00 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
1.05 Anglia News. 1.10 Cartoon Time. 1.35 Chequered Flag. 5.00 Anglia News and Sport 11.25 Regional Weather.

BORDER:
1.05 Border News. 1.10 Granada Sports World. *5.00 Border News 5.05 Border Sports Results.*

CENTRAL:
11.30 The Mountain Bike Show. 1.05 Central News 1.10 Cartoon Time. 5.00 Central News *5.05 The Central Match – Goals Extra.* 11.25 Local Weather.

CHANNEL:
11.30 The Munsters Today. 1.05 Diary Dates. 1.10 Motor Sport Special. 1.40 Zorro. 5.00 Channel News. *5.05 Puffin's Pla(i)ce.*

GRAMPIAN:
1.05 Grampian Headlines 1.10 Calptean Planaid. 1.40 Cuirm Cloinne 1.55 Out of Limits. 5.00 Grampian Headlines and Weather 5.05 Put it in Writing. 11.25 Grampian Weather.

GRANADA:
11.30 Zorro. 1.05 Granada News 1.10 Granada Sports World. 5.00 Granada News 5.10 Granada *Goals Extra.*

HTV:
1.05 HTV News. 1.10 Grand Prix at Sea. 1.35 Chequered Flag. 5.00 HTV News and Sport

SCOTTISH:
1.05 Scotland Today. 1.10 Calptean Planaid. 1.40 The Making of Dances with Wolves. 5.00 Scotsport Results. 5.10 Scotland Today 11.25 Scottish Weather.

TSW:
11.30 The South West Week. 1.05 TSW News. 1.10 Discovering Gardens. 1.40 Superman. 5.00 TSW News. 5.05 Gus Honeybun's Cartoon Time. 11.25 TSW Weather.

TVS:
11.30 The Munsters Today. 1.05 TVS News. 1.10 *Motor Sport Special.* 1.40 Zorro. 5.00 TVS News.

TYNE TEES:
1.05 Tyne Tees News. 1.10 1992 Mountain Bike Championship. 1.40 Chequered Flag. 5.00 Tyne Tees Saturday. 11.30 Lady Sings the Blues.

ULSTER:
11.30 Garfield's Babes and Bullets. 1.05 Ulster *Newstime* 1.10 Saturday Sport. 1.20 Movies, Movies, Movies. 1.50 Wrestling. 2.45 International Rugby. 4.35 Goals of the Week. 5.00 Ulster Newstime 5.05 Saturday Sport. 11.25 Ulster Newstime

YORKSHIRE:
11.30 The Munsters Today. 1.05 Calendar News. 1.10 The A-Team. 5.00 Calendar News. 11.20 Local Weather. 11.30 Lady Sings the Blues. (1972)

S4C Wales as Channel 4 except:-
10.00 Jeifin. 12.00 Cynhadledd Plaid Cymru. 6.30 The Bunbury Tails. 6.35 Now You're Talking. 7.00 Newyddion nos Sadwrn. 7.15 Bacha Hi O'Ma. 8.00 Paid a Deud. 8.45 Tocyn Tymor. 9.55 Tap. (1988) 11.55 Four-Motions: Sound.

SUNDAY

BBC1

7.25 Japanese Grand Prix. 9.10 News. 9.15 Start Your Own Religion. 9.30 This is the Day. 10.00 See Hear! 10.30 Inside English. 10.45 Lingo! 11.00 Careering Ahead: *What does the future hold for the miners who may lose their jobs?* 11.30 Winning.

12.00 **Spain on a Plate.** Maria Jose Sevilla visits Andalusia where she samples chicken cooked with sherry. Last in series.
12.30 **CountryFile.** John Craven presents the latest countryside stories.
12.55 **Weather for the Week Ahead; News.**
1.00 **On the Record.** Political interviews and comment with Jonathan Dimbleby.
2.00 **EastEnders.**
3.00 **Eldorado.**
3.30 **Film: All Creatures Great and Small.** Starring Anthony Hopkins (1974).
5.00 **Motor Show 92 Compilation.**
5.50 **The Clothes Show.** Jeff Banks and a mystery guest review Paris *Fashion Week.*
6.15 **Lifeline.** Appeal on behalf of the Council for the Protection of Rural England.
6.25 **News.**
6.40 **Songs of Praise.** Pam Rhodes visits Shrewsbury Abbey in Shropshire, a church made famous in recent years by Ellis Peters' *Brother Cadfael books.* She talks to Edith Pargeter, who reveals her own fascination with the life and religion of bygone days.
7.15 **Last of the Summer Wine.** New series.
7.45 **The House of Eliott.**
8.40 **Birds of a Feather.**
9.10 **News and Weather.**
9.25 **Screen One: Trust Me.** Quick-thinking hoaxer Harry Greaves (Alfred Molina) finds himself pursued by professional hit men *after selling fake memoirs about* his life as a contract killer. Comedy thriller, with Hywel Bennett and Jill Gascoine.
10.45 **Everyman.** Ealing vicarage rape victim *Jill Saward talks frankly about her horrifying experience* and her subsequent treatment by male doctors, the press and the legal system.
11.25 **Off the Back of a Lorry.** Mike Scott talks to British people who have successful businesses in Spain.
11.55 ***Tanhaiyan.***
12.35 **Weather.**
12.40 **Close.**

BBC2

7.30 Felix the Cat. 7.45 Playdays. 8.10 Smoggies! 8.35 Animal Album. 8.50 Orville and Cuddles. 8.55 Bitsa. 9.15 The Legend of Prince Valiant. 9.40 The Wetter the Better. 10.05 Thundercats. *10.30 Uncle Jack and the Dark Side of the Moon.* 10.55 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Around Westminster. 12.30 pm Thunderbirds.

1.20 ***Tennis: The Midland Bank Ladies' Championship.*** Barry Davies introduces action from the final at Brighton. Commentary by David Mercer and Virginia Wade.
3.00 **Snooker: Grand Prix.** David Vine introduces the final from The Hexagon in Reading.
5.00 **Rugby Special.** Bath v Orrell. *Champions Bath, who have made* an impressive start to the season, take on the only side to beat them in the league last year. Other highlights include Ulster v Australia in Belfast.
6.00 **Snooker: Grand Prix.** Continued coverage of the 19-frame final from The Hexagon in Reading.
6.35 ***The Money Programme.*** *Tom* Maddocks explores the corporate world of life insurance companies. Will new legislation make these multi-million pound businesses more accountable for their actions?
7.15 **The Living Planet.** David Attenborough explores the varied wildlife to be found in the ocean. He discovers kelp forests, deserts, coral reef jungles, and the permanent night of the deep which affects the atmosphere and *weather.*
8.10 **Did You See?** Jeremy Paxman's guests are writer Susan Crosland, explorer Matt Dickinson and Joe Whitty, governor of Feltham Young Offenders' Centre, who discuss "The Kennedys" (ITV), "Pole to Pole" (BBC1) and "Crime Story" (ITV).
8.40 **The Look.** The last programme in the series profiles Yves Saint Laurent.
9.30 **Building Sights Europe.** Santiago Calatrava explores Barcelona's *Church of Colonia Guell.*
9.40 **A Word in Your Era.** Historical comedy quiz. With Helen Atkinson-Wood as *pirate* Mary Read, Steve Steen as prophet Nostradamus and Steve Coogan as famed *lover Casanova.*
10.10 **Snooker: Grand Prix.** Concluding stages of the final from Reading.
12.00 ***Japanese Grand Prix.*** *Highlights* of today's race from Suzuka.
12.35 **Close.**

LWT

6.00 TV-am. 9.25 The Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 The Human Factor. 12.30 pm LWT News Weekend.

1.00 **ITN News; Weather.**
1.10 **Walden.** Brian Walden asks Tony Newton, Leader of the House of Commons: "Does the government *really have a plan to get Britain* out of recession?"; **The Day.**
2.00 **Bullseye.**
2.30 **The London Match.** Millwall v Wolves. Introduced by Ian St John with commentary by Brian Moore. Gabriel Clarke presents highlights of Southend v Cambridge.
5.05 **Baywatch.**
6.00 **Animal Country.** Desmond Morris and Sarah Kennedy meet a mighty eagle and a wild boar, and talk about Old English sheepdogs.
6.30 **ITN News; Weather.**
6.35 **LWT News; Weather.**
6.40 **Highway.** Sir Harry Secombe visits Lincoln and its spectacular cathedral. He looks at the Medieval Fayre and hears Robert Hardy read poetry by Tennyson. **7.15 Second Thoughts.**
7.45 ***The Ruth Rendell Mysteries.*** *Part* two of The Mouse in the Corner. Will Wexford (George Baker) be able to prove the existence of conspiracy and brutality?
8.45 **London's Burning.** Malcolm faces a difficult personal dilemma, Bayleaf searches for his abducted daughter, and Nick delivers a *stinging attack on the lack of reg*ulations governing the inflammable nature of car interiors.
9.45 **ITN News; Weather.**
10.00 **LWT Weather.**
10.05 **Spitting Image.**
10.35 **The South Bank Show.** As the Royal Ballet enjoys renewed popularity, The South Bank Show profiles leading dancers Viviana Durante and Darcey Bussell. They provide an insight into the way of life in one of Britain's most fascinating and successful *institutions;* ***The Day.***
11.35 **Cue the Music.** French composer and pianist Michael Legrand in concert.
12.35 **Derrick; ITN News Headlines.**
1.45 **The ITV Chart Show.**
2.45 **Get Stuffed; ITN News Headlines.**
2.50 **Night Heat.**
3.50 **Get Stuffed.**
3.55 **Pick of the Week.**
4.20 **Out of Limits.**
4.30 **Memories of 1970-1991.**

CHANNEL4

6.00 Early Morning. 9.25 Laurel and Hardy. 9.30 Dennis. 9.45 Flipper. 10.15 If Wishes were Horses. 10.45 Voyage to the Bottom of the Sea. 11.45 Little House on the Prairie. 12.45 pm *Classic Cars.*

1.15 **Football Italia.** Today's live match is Inter Milan v Juventus.
3.30 ***Film: Twice Round the Daffodils.*** Comedy drama set in an isolation clinic where the patients and staff face various misadventures. Donald Sinden stars (1962); **News.**
5.10 **Greed and Glory.** Investigating the massive financial scandals which have rocked the City of London. Pensioners have seen their futures jeopardised and a few notable people have gone to jail. But who is responsible – the bankers, the businessmen or the politicians?
6.00 **The Miraculous Mellops.** The Royal Dump Pest Exterminator Company finds an unusual way of dealing with pests.
6.30 **The Cosby Show.**
7.00 **Equinox: The Strange Case of Crop Circles.** Updating last year's *programme exploring this myste*rious phenomenon. The debates surrounding crop circles have retained public attention for the last year and the various theories surrounding their origin differ wildly.
8.00 **The Royal Collection.** As the nation's largest landowners, the royal family has always had a close relationship with the natural world. The programme examines how the land has been portrayed in their paintings.
8.30 **American Football.** Washington Redskins v Minnesota Vikings.
10.00 **Film: Reach for the Sky.** Biopic of World War Two hero Douglas Bader. Kenneth More plays the British pilot who lost both legs in a plane crash and returned to active service after learning to walk on artificial limbs (1956).
12.30 ***Film: A Time to Die.*** *An* ex-convict's peaceful existence is disrupted by a youngster seeking *revenge.* Gustavo Angarita stars in this drama scripted by Nobel Prize-winning author Gabriel Garcia Marquez (1983).(English subtitles).
2.20 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Gardening Time. 12.55 Anglia News. 2.00 *Cartoon Time. 2.10 WCW Worldwide Wrestling.* 2.55 The Anglia Match. 5.00 Stuntmasters. 5.30 Bullseye. 6.35 Anglia News. 11.35 The Young Riders.

BORDER:
12.30 *Gardening Time.* 12.55 Border News. 2.00 Chequered Flag. 2.30 Scotsport: Skol Cup Final. 5.00 Highway to Heaven. 6.00 Bullseye. 6.35 Border News. 11.35 Prisoner: Cell Block H.

CENTRAL:
12.30 Gardening Time. 12.55 Central News 2.00 Memories of 1970. 2.45 The Central Match – Live. 6.00 Bullseye. 6.35 Central News 10.00 Local Weather. 11.35 Science Fiction.

CHANNEL:
12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Jornal. 2.00 The New Adventures of Black Beauty. 2.30 Sahara. (1983) 4.30 Bullseye. 6.35 Channel News.

GRAMPIAN:
12.30 Jack Thompson Down Under. 12.55 Grampian *Headlines.* 2.00 *Animal Country.* 2.30 Scotsport: Skol Cup Final. 5.00 Take the High Road Documentary – 1,000th Celebration. 5.30 Bullseye. 6.00 Scotland's War. 6.35 Grampian Headlines 11.35 Prisoner: Cell Block H.

GRANADA:
12.25 Short Story Theatre. 12.55 Granada News 2.00 Granada Action with the A Team. 2.30 Cartoon Time. 4.30 House Style. 5.00 Bullseye. 5.30 Coronation Street. 6.35 Granada News 11.35 Prisoner: Cell Block H.

HTV:
12.30 The Nature of Things. 12.55 HTV News. 2.00 Challenge of the Seas. 2.30 Cartoon Time. 2.40 WCW Worldwide Wrestling. 3.30 Operation Amsterdam. 5.30 Bullseye. 6.35 HTV News.

SCOTTISH:
12.30 Off the Page. 12.55 Scotland Today. 2.00 Glen Michael's Cavalcade. 2.30 Scotsport: Skol Cup Final. 6.00 Scotland's War. 6.35 Scotland Today 11.35 The Twilight Zone.

TSW:
12.30 TSW Farming Week. 12.55 TSW News. 2.00 Off the Hook. 2.30 Gus Introduces Frootie Tooties. 2.40 Highway to Heaven. 3.35 Beg, Borrow or Steal. (TVM) 5.00 Bullseye. 5.30 Cobblestones, Cottages and Castles. 6.35 TSW News. 11.35 Prisoner: Cell Block H.

TVS:
12.30 TVS News. 12.35 Agenda. 2.00 The New Adventures of Black Beauty. 2.30 Sahara. (1983) 4.30 Bullseye. 6.35 TVS News.

TYNE TEES:
12.25 Tyne Tees News Review. 12.55 Tyne Tees News. 2.00 Dogs with Dunbar. 2.30 Earthmovers. 3.00 The Back Page. 3.30 Aloha from Hawaii. (1973) *5.00 Animal Country.* 5.30 Bullseye. 6.00 *Pieces of Parkin.* 6.35 Tyne Tees News. 11.35 *Prisoner: Cell Block H.*

ULSTER:
12.30 Gardening Time. 12.55 Ulster Newstime 2.00 Farming Ulster. 2.30 The Computer Wore Tennis Shoes. (1970) 4.05 Baywatch. 5.00 Bullseye. *5.30 Coronation Street.* 6.35 Ulster Newstime 10.00 Ulster News 11.35 Daniel O'Donnell.

YORKSHIRE:
12.25 The Littlest Hobo. 12.55 Calendar News. 2.00 Cartoon Time. 2.15 Guys and Dolls. (1955) *5.00 Animal Country. 5.30 Bullseye.* 6.00 Calendar. 11.35 From Rio to Liverpool – Paul McCartney.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne *Robinson.* 12.00 Nick Barraclough's New Country. 1.00 Beyond Our Ken. 1.30 The News Huddlines. 2.00 Ronnie Hilton. 3.00 Steve *Race.* 4.00 Brill Cream. 5.00 *Cinema* 2. 5.30 Screenplay. 6.00 Bob Holness Requests the *Pleasure.* 7.00 Back Numbers. 7.30 Mario di Marco Sings. 8.30 A Special Evening with Petula Clark. 9.30 Easy Does It. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 John Terrett. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.55 Weather.
7.00 Record Review.
1.00 News.
1.05 Lufthansa Festival of Baroque Music 1992.
2.30 Prokofiev.
3.00 Vienna: The Philharmonic Years 1842-1992.
5.00 Jazz Record Requests.
5.45 Third Opinion.
6.30 Chopin.
7.10 Julius Caesar.
10.30 Words.
10.35 Camden Jazz Festival.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 Europhile.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Saturday Playhouse.
3.45 The Ice Cream Man Cometh.
4.00 You Don't Have to Work to Be Mad Here.
4.30 Science Now.
5.00 The Living World.
5.25 Tea Junction.
6.00 News and Sports Round-up.
6.25 Week Ending.
6.50 Ad Lib.
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 Work Talk.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 The Great Shark Hunt.
10.45 Short History of the Cold Shower.
11.00 Mirrored in Music.
11.30 The Miles and Millner Show.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour.
6.30 Weekend Edition.
9.30 Get Set.
10.30 Tales of the Texas Rangers.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
6.05 Six-O-Six.
7.30 Le Top.
9.00 Afropop Worldwide.
10.15 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
5.45 Programmes in German. 6.30 Europe Today. 7.00 News; The World Today. 7.30 Programmes in French. 8.00 Newsdesk. 8.30 People and Politics. 9.00 News; Words of Faith: A Jolly Good Show. 10.00 News; Business Report; Worldbrief. 10.30 *Personal View.* 10.45 Sports Roundup. 11.00 News Summary. *11.01 Jazz Now* And Then. 11.15 Letter From America. 11.30 Waveguide; Book Choice; From The Weeklies. 12.00 Newsdesk. 12.30 BBC English. 12.45 Mittagsmagazin: News in German. 1.00 News; Words *of Faith.* 1.15 Multitrack 3. 1.45 Sports Roundup. 2.00 Newshour. 3.00 Club 648. 3.15 Sportsworld. 4.00 News; Sportsworld continued. 5.00 News; BBC English. 5.29 news Headlines in French. 5.30 Programmes in German. 6.00 News Summary; Omnibus. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 Programmes in German. 9.00 News; Personal View; Words of Faith. 9.30 Europe This Weekend. 9.55 European Sports News. 10.00 Newshour. 11.00 News; Meridian. 11.45 Sports Roundup. 12.00 News; Words of Faith; Book Choice; A Jolly Good Show. 1.00 Newsdesk. 1.30 The Ken Bruce Show. 2.00 Newsdesk. 2.30 The Evangelicals. 3.00 News; News About Britain. 3.15 Sports Roundup. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News.

CLASSIC FM
6.00 Sarah Lucas.
9.00 Classic CD Chart Rundown.
12.00 Petroc Trelawny.
3.00 Adrian Love.
6.00 Classic America.
7.00 Introduction to the Opera.
10.00 Classic Quiz.
12.00 Andre Leon.
2.00 Classic CD Chart Rundown.
3.00 Andre Leon.
4.00 Classic America.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 12.00 Desmond *Carrington.* 2.00 Benny Green. 3.00 Alan Dell. 4.00 A Tenor Sang. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Radio 2 Arts Programme. 12.05 Nick Barraclough's New Country. 1.00 John Terrett. 4.00 Alex Lester.

BBC RADIO 3
6.55 Weather.
7.00 Sunday *Morning Concert.*
9.00 News.
9.05 Brian Kay's Sunday Morning.
12.00 Spirit of the Age.
1.00 News.
1.05 Replay.
1.25 Herbig Conducts Brahms.
2.25 Brindisi Quartet.
3.35 Vespers.
4.50 Noriko Ogawa.
6.45 The Mystery of the Rosary.
6.30 Housman and Heine.
7.30 Elgar's Caractacus.
9.35 Sunday Play.
11.35 Music in Our Time.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Sunday.
8.50 Sheila Hancock.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
4.00 Analysis.
4.47 Treasure Islands.
5.00 Kershaw On.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 The Village.
6.30 Europhile.
7.00 In Business.
7.30 Bookshelf.
8.00 Opinion.
8.30 Enterprise 92 Awards.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 The Hinge of Fate.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour.
6.30 *Weekend Edition.*
9.30 Whoppers.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Sunday Brunch.
1.40 *Open Forum.*
2.00 Kitchen Cabinet.
2.30 Room 101.
3.00 Sunday Sport.
6.00 Walking in Big Footsteps.
6.30 Education Matters.
7.15 How We Lived Then.
7.30 When in Italy.
8.00 Restart French.
8.30 Deutsh Express.
9.00 Dragnet.
9.30 Club Class.
10.10 Across the Line.
12.00 Close.

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6.00 News; Letter From America. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Classics with Kay. 9.00 News; Business Review. 9.15 Short Story: Laugh for Me. 9.30 Folk in Britain. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise Of God. 11.00 Newsdesk. 11.30 BBC English. 11.45 News and British Press Review in German. 12.00 Play of the Week: The Shape of the Table. 2.00 News Summary. 2.01 About Face. 2.30 Anything Goes. 3.00 News. 3.15 Concert Hall. 4.00 News; News About *Britain.* 4.15 *BBC English.* 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News and Business Review. 5.15 Club 648. 5.30 Programmes in French. 6.00 Newsdesk. *6.30 Programmes* in German. 8.00 News; Folk in Britain; Words of Faith. 8.30 Europe Tonight. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Business Review; Classics with Kay. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; In Their Element: Water. 1.45 The Devil's Trill. 2.00 Newsdesk. 2.30 Composer Of The Month: George Frederick Handel. 3.00 News; News About Britain. 3.15 Sports Roundup. 3.30 Anything Goes. 4.00 World News.

CLASSIC FM
6.00 Sarah Lucas.
9.00 Classic Romance.
12.00 CD Requests.
2.00 Celebrity Choice.
3.00 Robert Booth.
7.00 Book Browse.
9.00 Classic FM Concert.
10.00 Sunday Night Out at Smollensky's.
11.00 Contemporary Classics.
12.00 Andre Leon.
2.00 Classic Romance.
3.00 Andre Leon.

CHESS

MICHAEL ADAMS, 20, the UK's youngest grandmaster, could soon be established among the world's best. Adams, who won at Brussels in the summer, is today a semi-finalist in the £35,000 Interpolis Insurance knock-out at Tilburg where more than a hundred GMs competed. Pairings are *Kamsky (US) v Gelfand (Byelorussia)* and Smirin (Israel) v Adams.

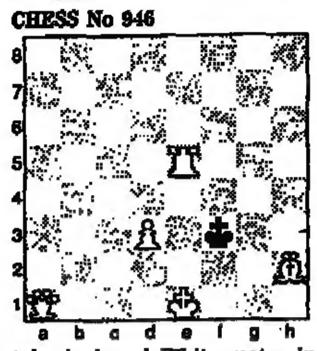
The top seeds Karpov, Ivanchuk, Short, Anand and Timman were eliminated while Adams smoothly dispatched his opponents. Blessed with a cool temperament and a Karpovian feeling for ideal squares for his pieces, Adams disclaims world title ambitions but his own results may persuade him.

His control of this week's game is impressive. A space-gaining queen's side pawn advance switches to the centre then, with a neat rook sacrifice, to his opponent's king (M Adams, White; E Sveshnikov, Black; Interpolis Tilburg 1992).

1 d4 d5 2 Bg5 c6 3 e3 Qb6 4 Qc1 Bf5 5 Nf3 Nd7 6 Nbd2 e6 7 c4 Ngf6 8 Be2 h6 9 Bf4 Be7 10 c5 Qd8 11 b4 Ne4 12 h3 g5 13 Bh2 h5 14 Ne5 Nxe5 15 Bxe5 f6 16 Bh2 Nxd2 17 Qxd2 Kf7 18 Bg3 Qd7 19 h4 g4 20 a4 Bd8 21 Bd3 Bxd3 22 Qxd3 Bc7 23 0-0 Kg7 24 b5 Bxg3 25 fxg3 b6 26 Rac1 Rac8 27 Rc2 Rhd8 28 Kh2 cxb5 29 axb5 Rc7

30 Ra1 Rb8 31 c6 Qe7 32 e4 Rd8 33 Re1 dxe4 34 Rxe4 Qd6 35 Qe3 Re8 36 Rf2 Qd5 37 Re5! fxe5 38 Qg5+ Kh7 39 Qxh5+ Kg7 40 Qxe8 exd4 41 Qf8+ Kh7 42 Rf7+ Rxf7 43 Qxf7+ Resigns.

CHESS No 946



take in board White mates in two moves, against any defence (by J Mayhew, The Problemist 1992).

Solution Page XXIV

Leonard Barden

BRIDGE

Today's hand comes from rubber bridge of high standard:

N
♠ A 7 5
♥ K Q 10 5
♦ A J 10
♣ Q 10 6

W
♠ Q J 9 6 2
♥ 3
♦ 7 6 4
♣ A J 7 4

E
♠ K 10 8 4 3
♥ 8
♦ Q 9 2
♣ 9 8 3 2

S
♠ –
♥ A J 9 7 6 4 2
♦ K 8 5 3
♣ K 5

With both sides vulnerable, North dealt and began the bidding with one no trump, South responded with three hearts, and North rebid four diamonds. This cue-bid accepted hearts as trumps, and showed the diamond control. South now introduced a Blackwood four no trumps, and after North showed two aces, his bid *of six hearts concluded the* auction.

West led the queen of spades. Ruffing the opening lead, the *declarer planned to operate a* Morton's Fork Dilemma, but which defender should be the intended victim? Deciding to play East for the club ace, he crossed to the heart queen, returning the six of clubs. West, however, took the king, and shrewdly led back another club, which forced declarer to take an early decision. South played dummy's queen, and eventually guessed the diamond finesse wrong, and went one down. If South wins trick two with his heart knave, and leads the club five, West will be caught in the Morton's Fork. Should he duck, dummy's queen wins, and South's king is discarded on the ace of spades, and the contract is safe.

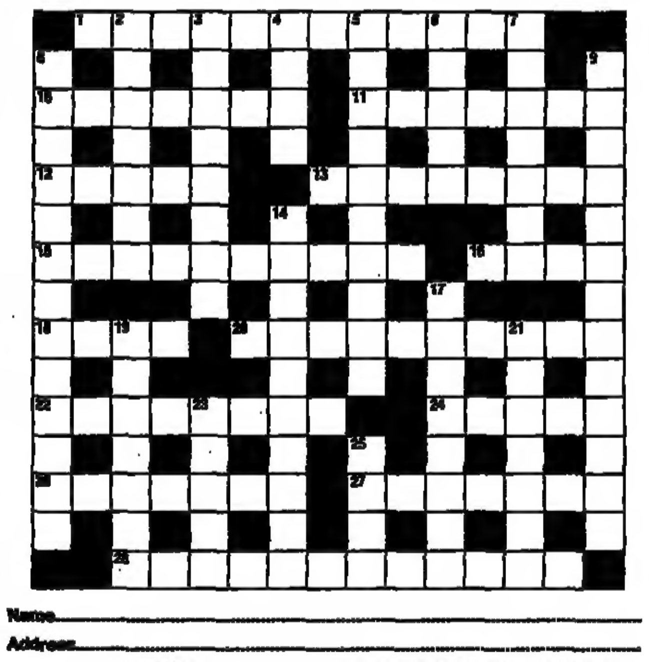
Though the aesthete would like to pull off the Morton's Fork – I'm sure I would have fallen for it myself – the best line, I think,is to reject it. South must win the spade queen with dummy's ace, discarding his club five, ruff a spade, and cross to the heart queen, ruff the last spade, and *lead the king of clubs. If East* wins, that is end of story; if West wins, he must return a club,and South has a free *finesse of the 10, as well as the* diamond finesse. Two chances instead of one.

E P C Cotter

CROSSWORD

No. 7,985 Set by CINEPHILE

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday November 4, marked Crossword 7,985 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 7.



Name

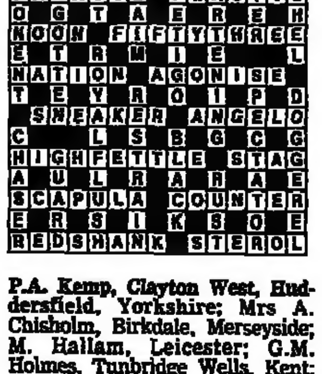
Address

ACROSS
1 *Firm's* limit on German street trader (12)
10 It covers the head from the rain (7)
11 When October comes back round, down with the Mexican sauce! (7)
12 *Individual or group?* (5)
13 Child removed from gathering with guns? (8)
15 Measure of print in half of compositor's work, the fool (10)
16 Beast of burden, possibly expecting a fall (4)
18 Bird made of hay? (4)
20 Dark lunar plains whose inhabitants are arrested (5,5)
22 Reprove a handsome person who has a day inside (8)
24 Capital article missing, start of high fever (5)
26 *Aristocrat exploding grenade* (7)
27 New measure taken as quickly as possible (7)
28 Ghosts, with omissions for errors, imitate an analytical science (12)

DOWN
2 Greek character, funny when beheaded and not resurrected (7)
3 Inquisitive trapper with a stutter sent up by post (8)
4 Criticise for frequency or price (4)
5 Not au fait with where a throw-in comes from? (3,2,5)
6 Thermodynamic function in the same place in Shaw (5)
7 Put back what's left on deposit (7)
8 Be inconsistent taking a bit of meat with fresh clothes (4,3,6)
9 Cooked repast for nest, the only ones the cuckoo knows (6,7)
14 Address to a faint odour that's shimmering (10)
17 Definite plan for the camp I enter (8)
19 Achieve limits with a needle (7)
21 Get back into shape when Roger's shaken up (7)
23 Prompt first of girls to go in naked (5)
25 Order to depart on foot, say (4)

Solution to Puzzle No.7,984

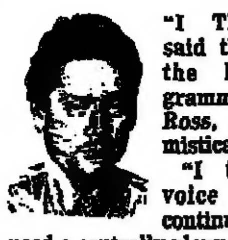
Solution and winners of Puzzle No.7,973



P.A. Kemp, Clayton West, Huddersfield, Yorkshire; Mrs A. Chisholm, Birkdale, Merseyside; M. Hallam, Leicester; G.M. Holmes, Tunbridge Wells, Kent; *A. Kitroeff, Psychico, Greece;* L. Owen, Cardiff.

Tories who want a five-year plan

***Dominic Lawson** unearths a strange phenomenon: loyal Conservatives who oppose the free market*



"I THINK . . ." said the caller to the Radio Programme Call Nick Ross, rather optimistically.

"I think," the voice eventually continued," that we need a centrally planned economy."

"Aha!" said Ross, on the ball as ever, "I take it you are a Labour Party supporter". "Certainly not," replied the caller, indignantly, "I'm a Conservative voter."

Later in the programme, which, naturally, had chosen the pit closure programme as its topic of the week, a fully-fledged member of the Conservative Party called in. It was another woman who thinks. This one thought it was a disgrace that we were importing "cheap coal from foreign countries like Columbia" instead of using more expensive British coal.

"But that is the way markets work" replied Ross, a paragon of patience. "You are in favour of free markets, aren't you?"

"Not if it means importing cheap foreign coal," the Conservative Party member shot back.

One begins to see in what way the Conservative Government has lost touch with its supporters. It has failed to recognise that its own people are socialists under the skin. And who can blame John Major or Michael Heseltine for such a monumental miscalculation? Certainly not I, who can still see the brown stain on the carpet where I spluttered the contents of a cup of tea while listening to Nick Ross's interlocutors.

But, as Samuel Brittan pointed out in an outstanding article in Thursday's *Financial Times*, it is not just confused Conservative countrywomen who are suddenly seeking some sort of state-rigged plan of national salvation.

"Most dispiriting of all," he wrote, "judging by the *FT* letters column, is the number of businessmen who expect economic leadership from Government, as if the UK were a single concern managed by a Whitehall Gosplan. When will they take a lesson from their Italian counterparts and look for salvation at their own hands?"

It is particularly astonishing that the problems of the coal mining industry should have led businessmen and Conservative MPs (frequently the same thing) to call for a *National Strategy For Energy*. It is precisely such a strategy which has got the coal industry into such a terminal mess.

The strategy was that at least 20 per cent of Britain's generating capacity should be nuclear, never mind the price. And whereas the loss making coal mines on Heseltine's incredible disappearing hit list are said by the President of the Board of Trade (based on some very fishy mathematics) to be costing £100m pounds a year, the nuclear electricity generating industry cost Britain's taxpayers almost £1.3bn pounds last year. Without "A National Energy Strategy" this would never have happened, and most likely there would have been more miners and fewer nuclear engineers in employment.

But now industrial five year plans – what Samuel Brittan calls the "snake cures for depression" – are back in fashion. The *Independent* newspaper, purveyor of snake oil cures to the gentry, has come up with a "a ten point plan for national recovery". (Why is it always ten? Perhaps we need only nine points. Or maybe we could do with 11.) Naturally the *Independent* says that the Government must (point number two): "push ahead with major road and rail projects" and (point number three) "revive the housing market". The costs of these measures are not specified, although it seems likely that the Government will find it very difficult to fund through the markets even its existing expenditure plans, involving the borrowing next year of £45bn pounds. No, Mr Brittan is right, our businesses must look to themselves for economic salvation and success.

Here is my three point plan. *One*: shopkeepers to offer better service, *and to encourage* their assistants to match Continental standards of helpfulness and interest. Two: all businesses to ensure that their company's telephones are answered promptly and efficiently, and above all, abandon the practice of funnelling canned music down the ears of would-be customers. Three: all businesses to ask their customers "is there any way in which *our* product or our service could be improved" *rather* than wait to be told that they have lost the contract.

I have a feeling that this strategy, if applied, could stimulate the economy without *adding to the burden* of the national debt. At the very least it should diminish the national gloom. Perhaps I should suggest it to Nick Ross.

■ *Dominic Lawson is Editor of The Spectator.*

User Friendly, but only up to a point...

***Michael Thompson-Noel** meets owner Bill Gredley*

Thoroughbred team: jockey George Duffield, User Friendly, Bill Gredley and his son Tim in the winner's enclosure

TWENTY-ONE years ago I stood in the grandstand at Epsom racecourse *and watched* Mill Reef, one of the century's greatest racehorses, flash to victory in the English Derby. At the end of that season – 1971 – *I and hundreds* of Mill Reef's fans flew to Paris where Paul Mellon's champion scored his most famous victory in Longchamp's Prix de l'Arc de Triomphe, the world's greatest horserace.

Mill Reef has departed. He *has* gone to the paddock in the sky where he listens to celestial birdsong and watches beautiful cloudscapes compose and recompose themselves, *morning* and *night*, above the marble-bright stable reserved for Turf Legends.

Gone, but not forgotten, for Mill Reef's genes still whizz *round racetracks with graceful* athleticism, and will do so for centuries. Seven years after Mill Reef won at Epsom, one of his sons, Shirley Heights, also won the English Derby. Seven years after that, one of *his* sons, Slip Anchor, won the English Derby. And seven years after that, in June 1992, one of Slip Anchor's daughters, a bay filly named User Friendly, won the English Oaks, the distaff equivalent of the Derby, as part of her lead-up to her second-place finish, beaten a scant neck, in the Prix de l'Arc de Triomphe *three* weeks ago.

To breed and own a racehorse like Mill Reef or User Friendly is one of the rarest distinctions in sport. Many have *tried*. They have spent colossally. But their money has evaporated. In the history of the racehorse – also known as the thoroughbred – untold billions' worth of *time*, *skill* and patient endeavour has been lost down the drain, flung to the winds, in the effort to produce champions. Explanation: *no one really knows why one* racehorse runs faster than another.

To find the man who bred and owns User Friendly I drove north from London to Newmarket, through Six Mile Bottom, right at the roundabout to the village of Stetchworth, left into Church Lane and up to the entrance to Stetchworth Park Stud. I stopped the car at a big white gate. It opened electronically. In I ventured, nursing *my car over the sleeping* policemen that are one of the millionaire-hallmarks of big-scale racing estates, from Newmarket to Normandy to blue-grass Kentucky. Fountains plashed languidly. Everything shone immaculately. Serious money.

Extremely serious money. The owner of Stetchworth Park, where User Friendly was born, is Bill Gredley, a mild and modest Englishman, 59, whose privately-owned Unex Group (property, oil and gas in Canada, local bus companies, etc), has assets, he told me, of about £100m – *suitable under*pinning for a racing empire of 170-180 horses, including mares, stallions, foals, yearlings and horses in training. Totalling 1,000 acres, Stetchworth Park is probably the biggest non-Arab-owned racing operation in Britain.

> *'I have a different approach to breeding. We tilt at windmills'*

Recently, Bill Gredley called for a one-day boycott of racing by owners to protest at low levels of prize money. He withdrew the call last Tuesday. Bill Gredley started in racing in the mid-1970s when he was farming in Hertfordshire and decided to buy a couple of mares. From there, things grew and grew. Had his successes, especially with User Friendly, exceeded his fondest expectations?

"With the number of horses that we're running, and with our breeding programme, we'd be disappointed if we didn't breed a Group 1 winner (the *highest category*) every year. I know it is difficult, but we've gone close with a lot of other good horses, not just User Friendly."

Can anyone breed champions? "No, I don't think they can. I think you have to have a feel for the horse. You have to have some empathy. There's a lot of people who *can* do it, but they tend to follow traditional lines, whereas I do things differently. There is a certain *amount of luck in it as well.*"

Was his racing self-financing, or was he constantly pouring money into it?

"No, not really. Last year our prize money earnings were about £400,000. This year, mainly with User Friendly, we've got nearly £800,000. And we sell horses at the sales. We sold one the other day for 400,000 guineas (£420,000), a full brother to User Friendly. And I suppose if we wanted to sell User Friendly herself we would get an enormous sum for her. We take the view that everything is for sale. We are a business, and *sensible offers* are always considered."

I asked: "How much is she worth? Is she worth the £1.25m that I guesstimated in the *Weekend FT the other day, or* more?"

Bill Gredley smiled. "I read your piece. I think you were a bit low", he said. "For a start, she's *now going for the Japan* Cup in Tokyo on November 22, and that could be worth £750,000." In addition, she stays in training next year, when she could win anything up to or over £1m. Although her owner would not say, for reasons of commercial caution, it is clear he thinks that User Friendly is easily worth £2m-plus.

Was User Friendly well?

"Very well. In the Arc she lost 12 or 15 kilos, but put the weight straight back on. She's a wonderful horse to train because she has a run, she has a week's rest, then she does two or three bits of work and she's off again to the races. The only raw exercise she's really getting is in her races.

"Next year she'll be better than ever. She has improved with every race. She's the most remarkable filly. She's got stamina, speed, temperament and manoeuvrability. If she had *won the Arc* it would have been a fairytale, but we were happy being second.

"User Friendly has come at a good time. My wife died two months ago after a long illness. It was a traumatic time, and in a strange way User Friendly's success helped Sara towards the end. User Friendly helped *to soften our sorrow and keep* everyone busy."

I asked Bill Gredley what qualities he brought to the business of producing race*horses*.

"I consider myself a judge of a horse," he said. "I don't rely on others to do my buying, so in that sense I am my own man. If I see a good horse, I'll buy it, though not for a lot of money. The idea is not to spend big money. I have a stud manager here. We talk about conformation and so on, but I sort out the matings myself. We have a training establishment here as well as the stud.

"Everything is cost-efficient. What we do is find out the good ones and put them into training. The bad ones we sift out here. It's very cheap to do it that way. That's something we started last year, and it's completely new, an innovation. We can have up to 30 yearlings. If you find four or five out of 30 worth sending to an outside trainer, you'll be very happy.

"There is a lot of tradition in horse racing, and people think one should carry on in the time-honoured way. But I don't subscribe to that. I have a different approach to breeding and racing. We tilt at windmills, and have been very successful in doing so.

"I'm not one for yachts or too much leisure. I get pleasure from seeing the horses, working them, handling them, talking to them, understanding them. It's something you don't just acquire overnight. I get *satisfaction also* from the fact that we're reasonably successful, and like most other things it has to pay for itself. If we were to run at a loss, like any *other business we would have* to cut back. I'm not saying we run it at a great profit, but we are certainly keeping our heads above water."

I asked Bill Gredley if he was highly competitive, the way that many owners are. "I don't think so. I'm very laid back, very relaxed. I'm not someone *who must win at all costs.*"

Did British racing need more prize money? "Yes. It used to be the Sport of Kings, and people didn't worry about cost. But things have moved on. *It* now costs, I suppose, an average of £20,000 to buy a horse, and another £18,000 a year to train and race it, which is a lot *of* money. *I know that you* don't *have* to buy horses. But people do, and that is why there is a sport. There must be more prize money.

"There are, and always will be, a small minority of owners who would race for nothing. But the others need some hope that they're going to get something back from their racing. If you don't give them that hope they'll drift out and racing will go down and down. It will be counter-productive for the government."

Although he doesn't use the strike word, Bill Gredley called for a one-day strike by owners for higher prize money. "The owners ought to instruct their trainers not to enter their horses for a particular Monday. Just once. Just to demonstrate *what* would happen if the betting shops didn't have horse racing. Horse racing is an institution, quite unique. The money racing needs should *come from the turnover tax on* betting, at present 7¾ per cent. The government is getting £320m in this way. If they don't keep racing pump-primed by *putting* more of the betting tax back into the industry, I can see that their take will go down to £180m."

"But there are thousands of *races*," I countered, "and thousands of horses. Never have I entered a betting shop or opened a newspaper and said: 'Blow me down, there aren't many horses to bet on today'."

Again Bill Gredley smiled. "You might have to reconsider that next year", he *said*. "There's nobody buying horses. Trainers haven't got orders. And that is a forewarning of what is happening."

Will he ever breed another User Friendly? "I'll be disappointed if I don't," he said. "I consider myself a young man at this game."

Why Rome's mosaic succeeds

***Christian Tyler** admires Italian self-confidence*

IT IS SAID that the barbarians were overawed when they descended on Rome for their regular pillages. We, the latter-day Franks, Huns, Norsemen and Celts, are not so much overawed as intimidated by the Eternal City. We come in a spirit of pilgrimage, not pillage, crossing the Alps to be dazzled by the light, liberated *by the life and cowed by the* monuments of the emperors and popes.

Even at this time of the year when lightning flickers behind *the seven hills and the city* steams in daily downpours we are to be seen swarming through the streets. At the head of each patient flock *marches a drover, an umbrella* held aloft in place of a shepherd's crook. When two flocks collide and merge there are bleats of alarm from some of the old wethers, afraid of becoming detached and maybe lost for ever.

Shoulder to shoulder, nose to tail, the pilgrims plod through the Vatican galleries; they shuffle dutifully past sculptures, *tapestries*, busts, urns and frescoes until, more dead than alive, they are squeezed through the last narrow doorway into that sublime collecting ring, the Sistine Chapel.

Our puritan decency may be shocked by the pagan extravagance of Rome's religious art. But our blood is certainly heated by the sensuality of a Michelangelo or Bernini nude, by the sight of strong marble fingers pressing into soft marble flesh. The sculptor Canova is said to have been so excited by his portrait *of the beautiful Pauline* Borghese, Napoleon's sister, that he would sniff her marbled armpit to make sure his statue was not alive.

We sweat, we suffer; but we have no choice. And the Romans know it. They smile at us with pity as they charmingly disembarrass us of *our money*.

It is no good us saying the Italians have nothing but their past to be proud of. Of course the economy is bankrupt, the government perilously feeble, the politicians corrupt, the bureaucracy a joke and the country beset by scandal. The Roman modus vivendi is enough to drive the punctual, orderly northerner to the verge of insanity.

But secretly we are envious. How do they get away with it? In this atmosphere of crisis – and the present crisis, you are daily assured, is the greatest of them all – they should be going about with furrowed brows, grasping at any straw of comfort they can glean from the news bulletins. Instead you see everywhere the same old insouciance. A *glass of dry* Marsala to wash down the stuffed quail? Why not? A drop of brandy to finish off? Of course.

The self-confidence of the Italians is superb. One veteran observer explains it by saying that Italy does not exhaust herself by looking for answers *but lives with her problems*. It is the trick of believing that so long as the little things of life *"vanno bene"* the big issues will take care of themselves.

Perhaps that is why Italians have always been among the keenest federalists in Europe. If Brussels wants to take on some of our bigger burdens, *then let her do so: it cannot be* worse than the government in Rome. If the foreign banks want to do business here, let them: they can only be an *improvement on what goes on* already. After all, wasn't the original treaty signed in Rome and didn't the word subsidiarity originate in the Vatican *itself*?

One cannot help making the comparison with Britain, a country struggling to remain in the first division of nations and psychologically still crippled by the loss of empire. It is as if Britain's past were a burden to her rather than a *cause for self-confidence* and pride, as if a great cultural legacy were an excuse for obsessive nostalgia rather than a guarantee of future enjoyment.

To live in a museum need not make you whey-faced with worry: on the contrary, what is more comforting than to wake up each day *surrounded* by the glorious remains of your past?

With their exploding debt and collapsing politics the Italians have every reason to be afraid of finding themselves beggars on the fringe of Europe. And maybe, this time, they will. But what matters is that they don't see it like that. *Something will turn up.*

Where we northerners look for big problems and complete solutions, the Romans are content to piece their lives *together from day to day*, like mosaic. And that is why, like Goethe and Ibsen, Liszt or Mozart, we need to climb the Alps and take a breath of air *on the other side. Here in Italy*, everyone can have his shout.